



The Plaza, New York

**IF YOU KNOW
THIS NAME**

By George Graham
in Washington

DIRECTORS of the International Monetary Fund and the World Bank have voted for a pay increase that will increase wage bills at the two Washington-based institutions next year by more than 6 per cent.

Despite opposition from the US, UK, Canada and Australia, which together represent a third of the voting capital of the IMF and World Bank, the two boards this week approved a pay increase of 4.6 per cent with effect from May 1.

This will result, because of additional recruitment and pension costs, in a rise of 6.9 per cent in the

IMF's total personnel bill, budgeted at \$275m (£180.7m) for the year ending April 30.

At the World Bank, staff costs will rise by 6.2 per cent from \$804m budgeted for year ending June 30.

Bank and Fund officials said the pay rises were based on comparisons of public and private sector salaries in the US, France and Germany, collected by Hay Associates, a consulting company. The move, at a time when the US plans to freeze federal workers' pay and other countries are actually rolling back civil service salaries, was attacked by outside critics of the two institutions as well as some inside the two institutions.

"Considering that the donor countries are financing an institution that is not performing well, to put themselves on the back and give themselves a raise is not the thing to do," said Ms Peggy Hallward of Probe International, an environmental group that has criticised many World Bank projects in the developing world.

"We can't restrain our appetites," added one Bank official.

The World Bank and IMF pay rise also follows a week of intense criticism of lavish spending at the European Bank for Reconstruction and Development, a similar multilateral financial institution. Mr Norman Lamont, the UK chancellor of the

exchequer, and Mr Theo Waigel, the German finance minister, have raised questions about EBRD salaries, travel and office expenses.

Opponents of the pay rise believe it is particularly unfortunate because it could increase hostility in the US Congress towards funding the US commitment to give \$3.5bn for the 10th replenishment of the International Development Association, a World Bank offshoot which provides loans at concessional rates to the poorest developing countries.

The administration has included \$1.25bn for the first tranche of this commitment in its budget for 1994.

Officials from the Bank and the Fund said this year's pay rise reflected historical data. The US pay freeze would show up in next year's calculations.

They also noted that they had to pay competitive salaries to ensure their ability to recruit internationally, adding that staff who moved to Washington often came with spouses who had to give up jobs in their home countries.

Both the Bank and the Fund have often been criticised in the past for adding subsidies, perquisites and substantial travel expenses to already generous salaries.

Neither institution would provide salary figures, but independent guesses estimate the average for the World Bank group's 7,000 employees

at over \$70,000 a year, and for the 2,200 IMF staff at around \$60,000 a year. Since non-US citizens are not subject to tax, equivalent taxable salaries would be much higher.

Mr Lewis Preston, president of the World Bank, and Mr Michel Camdessus, managing director of the IMF, earn \$190,000 a year plus a representative allowance of \$85,000 salaries which were substantially increased in 1991, at Mr Camdessus's insistence, to retain parity with Mr Jacques Attali, president of the

EBRD.

Criticism of the World Bank has been particularly barbed because of its role in helping poor, developing nations.

NEWS IN BRIEF

Irish cut short-term interest rate again

IRELAND'S Central Bank yesterday reduced its short term facility (STF) interest rate by half a percentage point to 9 per cent, the seventh reduction in the official rate in eight weeks, writes Tim Coone in Dublin.

The STF is the rate which underpins wholesale money market rates and is now at its lowest level in four years.

Wholesale money rates in Dublin soared to as high as 100 per cent during autumn's ERM currency crisis, as the Central Bank struggled to defend the punt against speculative attacks and exhausted its foreign currency reserves.

The punt's devaluation in January however, and the easing of German interest rates, has since enabled the Central Bank substantially to rebuild reserves and therefore sharply to reduce interest rates in the Irish market.

Brussels passes missile deal

Short Brothers, the UK aeronautics company, and Thomson-CSF, the French defence manufacturer, can proceed with a planned joint venture to produce missile defence systems, European Commission merger authorities announced yesterday, writes Lionel Barber in Brussels.

Finnish foreign minister named

Farmers' leader Mr Heikki Haavisto will replace Mr Paavo Vayrynen as Finnish foreign minister, a senior government official said yesterday. Reuter reports from Helsinki. Mr Haavisto is known to be a critic of proposed Finnish membership of the European Community although he is showing signs of softening his anti-EC stance.

Finland applied to the EC in March last year and the government aims for membership in 1995 after a referendum. But public support for joining has declined.

Mr Vayrynen said this week he would leave the four-party coalition government led by his agrarian-based Centre party to concentrate on campaigning for the presidential election in January next year.

Slovaks take to the streets

More than 4,500 Slovaks took to the streets yesterday in Slovakia's biggest labour protest against government policies since independence on January 1, Reuter reports from Bratislava. At a mass rally outside the headquarters of the Slovak Confederation of Trade Unions, speakers accused the government of Prime Minister Vladimir Mečiar of failing to cope with Slovakia's rapidly deteriorating economy.

Trade union leaders have been alarmed by forecasts that unemployment will reach 20 per cent this year.

Mexican press bribery claimed

Mexico's attorney general's office said yesterday drug traffickers were buying and bribing their way into provincial newspapers in an attempt to influence coverage of drug and police matters, Reuter reports from Mexico City.

The statement said some journalists and law enforcement officials were taking bribes from traffickers to provide leaks and articles. The attorney general's office leads the fight against drug trafficking in Mexico.

It named no individual journalists.

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The fall of Srebrenica would be a devastating blow to Moslem-led forces, writes Laura Silber

UN RELIEF workers yesterday finalised plans to evacuate tens of thousands of civilians from Srebrenica, as Serb forces tightened their stranglehold on the enclave in eastern Bosnia.

The fall of Srebrenica would be a devastating blow to the Moslem-led Bosnian forces. One of the few remaining strongholds in the once mostly Moslem region of eastern Bosnia, it has become a symbol of resistance against Serb forces.

Conflicting radio messages yesterday were the only reports out of Srebrenica, cut off from the outside world for a year by a Serb siege. Crowded with Moslem refugees from the Serb onslaught on neighbouring towns in eastern Bosnia, Srebrenica's population has swollen to some many times its original size.

Bosnian leaders broadcast desperate appeals to the outside world for help in defending the town. "It is a question of hours... of whether they will be slaughtered or run over by tanks," said Mr Stefan Slob, a Bosnian official.

Amateur radio reports received in Sarajevo said Serb forces had stepped up their shelling of the town. They described panic among the battered population, hiding in underground shelters. Most are hungry, suffering scabies and body lice.

Serbian television said Serb forces had come within 1km of the town.

UN reports from Srebrenica said Serb attacks had subsided to two shells an hour, in the

for its senior delegates.

The corporation asked to provide the accommodation for the meeting as a welcoming gesture, rejected the proposal as too expensive.

The corporation also rejected an earlier proposal that it should consider building a permanent conference centre, which could then be used for the bank's meeting, on the Spitalfields site at a cost of £14m.

The EBRD's difficulties in finding a conference centre large enough to accommodate the 4,500 people expected to attend its annual meeting began at the end of last sum-

mer, when it decided to hold the meeting in London.

More details emerged yesterday of the materials and furniture which went into decorating and fitting out the EBRD's new headquarters.

According to suppliers expenditure included:

• Joinery for paneling, door frames and doors worth about £2.5m, including large amounts of crown-cut sycamore.

• 600 desks made of steel and glass to a design by Norman Foster costing more than £600 each, supplied by Techno of Italy.

• A custom-made carpet in a wide range of shades of green

provided by Tyndale in London, designed to ensure that it appeared to be the same colour regardless of the different lighting.

• Raised flooring from System Floors at a cost of more than £1.3m, including 2,000 square metres on the first floor in Italian white veined marble and 30,000 square metres of a more basic design on 11 other floors.

• A designer bar furnished with 100 chairs representing European furniture throughout the century in the style of famous designers including Le Corbusier.

• Mr Jean-Louis Berthet, found-

architects responsible for the design of the EBRD's headquarters is a prominent figure in French design.

He has worked on a number of commissions for Mr Saddam Hussein, president of Iraq, including the interior design of the presidential palace in Baghdad in 1979, the Saddam Hussein International Airport in 1981 and the Council of Ministers building in 1984.

The EBRD refused to comment on the way in which the architects were selected, or on other aspects of the costs of refurbishing their headquarters in Broadgate, London, as further details emerged of the

high quality materials used.

"We answer to our shareholders and everything has been completed within budget. We have been extraordinarily transparent this week. Enough is enough," a spokeswoman said last night.

Mr Jacques Attali, the president of the EBRD, wrote the preface to a book about the work of the Berthet-Pochy firm published in the late 1980s by EPA Editions in Paris. He emphasised his belief in the importance of interior design: "Certain kings of France," he wrote, "are better known for their chairs than their achievements."

City turned down £1.5m tent for EBRD

The enclave's fall would be a devastating blow to Moslem-led forces, writes Laura Silber

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A US pilot runs past F-18 Hornet aircraft on the deck of the carrier USS Roosevelt in the Adriatic, where it is participating in enforcement of the no-fly zone over Bosnia

Joothills of the Drina River valley. "We have been saying since February that Srebrenica would fall if some protective measures were not taken," said Mr Laurens Jolles of the Belgrade office of the UN High

Commissioner for Refugees. It is likely that Serb forces, after seizing control of Srebrenica, would seek to advance on the two other Bosnian government strongholds, Gorazde and Zepa, to the south.

This would further undermine the international peace plan on Bosnia which envisages Moslem control of most of eastern Bosnia, on the frontier with Serbia. Bosnian Serbs have rejected the proposed

maps because it separates Serb-designated provinces from Serbia.

The fall of nearby Kamenica, which cut off a vital route to Srebrenica, left it completely vulnerable. Further, Croat

Germany will not take part in Yugoslavia bombing

By Judy Dempsey in Berlin

GERMANY will not take part in any Nato-backed selective bombing in the former Yugoslavia because of constitutional constraints and its legacy in the Balkans, the Foreign Ministry said yesterday.

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by 6%

German bank chief airs treaty worries

By Judy Dempsey in Berlin

MR Helmut Schlesinger, president of Germany's Bundesbank, said yesterday the Maastricht treaty had created tensions because some countries felt threatened about loss of national identity and the road towards full political union remained undefined.

"Just how uncertain people are in assessing the treaty is reflected in the outcomes of the referendums in Denmark and France, perhaps even in the avoidance of such referendums in other countries," he said. "The essential debate on Europe's future political shape, a federal state versus a federation of states, has not even reached major parts of the general public as yet."

Mr Schlesinger warned that uncertainty regarding further developments towards political union, had a direct impact on plans for monetary union.

In a speech to the World Affairs Council in Los Angeles, Mr Schlesinger set out Bundesbank reservations about the pace of European political union and monetary union. "I believe it to be short-sighted simply to regard European monetary union as the logical conclusion to the process of economic integration. Monetary union is rather a step with a significance of its very own. A single market can exist and be beneficial without inevitably requiring further moves towards integration in the monetary sphere."

He also warned that the creation of a completely independent European Central Bank as a plank for monetary union was not a "cure-all" for ensuring price stability. "Monetary policy cannot reverse a grave misdirection of fiscal and wage policies. Anti-inflation policy cannot be reduced to the problem of providing the proper set of technical instruments."

The Maastricht treaty has already established four criteria for entry into monetary union. But Mr Schlesinger, quoting Chancellor Helmut Kohl, repeated that there was "no side entrance for candidates who do not meet the stringent prerequisites".

The Bundesbank president questioned how consensus on the need for currency, budgetary, and fiscal stability could be achieved once monetary union has been established, particularly following the uncertainty arising from political union.

IG Metall, Germany's powerful engineering union, indicated yesterday it would focus its pay campaign in east Germany on enterprises it believes can afford to meet the union's wage demands. Its leaders will decide on Monday on a ballot of members in eastern Germany for an all-out strike in support of higher wage increases.

Italians set to vote for change

By Robert Graham in Rome

ITALIAN voters look set to endorse a major change in the electoral system in Sunday's referendum that proposes to reduce the importance of proportional representation and introduce the principle of majority voting in the Senate.

As the referendum campaign closed last night opinion polls indicated a majority of the 48m voters backed a reform of the voting system. But the polls also showed continued widespread uncertainty.

This has been blamed at least in part on the fact that seven other issues are being voted on the same day - ranging from de-penalising personal drug use and ending state funding of political parties to the abolition of the ministries of agriculture and tourism.

A survey by pollsters Doxa published yesterday showed 57 per cent in favour of a change in the voting system, 10 per cent against and 33 per cent undecided.

Polls, only ever approximate in gauging Italian voter intentions, have consistently given a majority for the change but the percentages have varied widely.

With polling stations also open on Monday, the result will not be known until late that night. But already yesterday there were signs that Mr Giuliano Amato, the prime minister, was preparing the ground for significant changes in government next week in the aftermath of the referendum.

Palestinians to seek peace talks postponement

By Roger Matthews, Middle East Editor

PALESTINIANS said yesterday that they would seek a delay in the resumption of Middle East peace talks scheduled to open in Washington on Tuesday.

The proposal, in protest at Israel's deportation of 415 Palestinians, was put to a meeting of the four Arab delegations to the peace talks who gathered in Damascus yesterday for a two-day meeting aimed at reaching a joint response to

the US-Russian invitation.

Syria, Jordan and Lebanon have all expressed their desire to return to the negotiating table, but are reluctant to resume bilateral talks with Israel in the absence of the Palestinians.

Mr Yassir Arafat-Rabb, who heads one of three PLO factions directing the Palestinian negotiators, said in Damascus: "We did not say we are leaving the peace process. We are not quitting. All we are saying is let us postpone for a short

period of time - we insist a short period of time - in order to reach a compromise."

He added that Israel's recent closure of the West Bank and Gaza Strip, which had caused serious hardship by stopping 100,000 Palestinians crossing to work in Israel, had added a further obstacle.

"We have not received any clear and concrete answers," Mr Arafat-Rabb said. "There are various promises and ambiguous suggestions which do not convince us or

convince Palestinian public opinion."

In the occupied West Bank, two Arabs died and seven Israeli soldiers were wounded yesterday when a bomb exploded in a roadside cafe.

The attack appeared to be timed to increase tension in the run-up to the peace talks.

Security forces said that an Arab had driven a truck at the cafe and had died when it exploded, causing serious damage and setting fire

to vehicles parked nearby.

The Palestinians whose expulsion from the West Bank and Gaza in December provoked the crisis in the peace process, launched their own protest yesterday by marching from their makeshift camp in south Lebanon towards Israeli military positions.

Israeli troops responded with artillery and tank fire and the march was called off several hundred metres short of the positions after a shell injured one of the marchers.

Mrs Hanan Ashrawi, the spokeswoman for the Palestinian delegation to the peace talks, said in Washington after two days of talks with US officials that it was not possible at this stage to recommend a resumption of the negotiations.

The Palestinians have been pressing Israel to accelerate the timetable for allowing the men expelled to Lebanon to return home. They also want a commitment from Israel that it will not again carry out mass expulsions.

President Bill Clinton has promised that the US will become more closely involved in the peace talks and together with Mr Yitzhak Rabin, Israel's prime minister, and President Hosni Mubarak of Egypt, has expressed hope that substantial progress can be made this year.

All sides have also agreed that no time limit will be placed on the next session, the ninth since the inaugural meeting in Madrid in October 1991.

S Africa braces for violence

By Patti Waldmeir in Johannesburg

SOUTH AFRICA was bracing yesterday for a weekend of potential violence, with mass protests planned to mark the funeral of slain African National Congress leader Chris Hani. Mr Hani's body will lie in state from tomorrow and he will be buried on Monday.

The ANC said protest actions, including possible strikes, would continue until the end of May, to press for an agreed date for all-race elections and installation of the first phase of multiracial interim government, the transitional executive council.

Business leaders and the ruling National party immediately condemned the ANC announcement that mass action would not end after the funeral as planned. ANC leaders were clearly struggling to satisfy the demands of radical ANC youth, who regarded Mr Hani as a hero.

ANC officials said they were concerned that negotiations had so far yielded nothing concrete for their supporters. "So far, all the negotiations have accomplished is to get Chris Hani killed," said one ANC official, quoting a common view among radical young ANC members.

Meanwhile, gunmen shot and wounded a white business man in the Transkei black homeland, the fourth such attack in the homeland in recent days. In South Africa itself, the government declared emergency measures in 19 districts including Johannesburg and drafted in police reinforcements. In these areas, police will be able to make arrests without warrants, detain without trial and impose curfews.

Bankruptcies rise in Japan

By Charles Leadbeater in Tokyo

THE SLUMP in the Japanese economy is continuing to take a heavy toll on companies, with a sharp rise in corporate bankruptcies last month and a further fall in confidence among small businesses.

There were 14,441 corporate failures in the year to the end of last month, up 22.7 per cent from the year before, according to a report by the Teikoku Databank, the private research company. The rise in bankruptcies is increasingly concentrated among smaller companies.

In spite of the rise in the number of business failures the combined debts of the companies involved fell by 4.2 per cent to Y7.445bn (423m).

The rise in bankruptcies was mainly accounted for by a 42.7 per cent increase in manufacturing failures, a 29 per cent increase in failures in the service sector and a 22 per cent rise among construction companies.

In March there were 1,340 bankruptcies, up 18.2 per cent from the year before and 20 per cent up on February.

The severity of the slump among smaller companies was reflected in Ministry of International Trade and Industry figures which show small business confidence declined sharply in the first three months of the year.

A MITI survey of more than 17,000 small companies found that business confidence fell to minus 36.6 per cent from minus 32 per cent in the previous three months. The index measures the percentage of companies reporting an expected improvement in business conditions, minus the proportion of pessimistic firms.

The sales index for the three months to the end of March stood at minus 35.5 per cent, down from minus 28.9 in the final quarter of last year, while the pre-tax profits index stood at minus 38.8 per cent, compared with minus 34 per cent in the previous quarter.



With the midnight deadline for filing 1993 US federal income tax returns rapidly approaching, postal worker Karin Baines gathers returns documents from motorists on Thursday night near Capitol Hill in Washington DC

GM right-hand drive car deal

By Michiko Nakamoto in Tokyo

GENERAL MOTORS is to supply Toyota of Japan with right-hand drive cars for the Japanese market, the US motor group said yesterday.

The two companies agreed that GM would manufacture right-hand drive cars with the Toyota badge in the US which would be marketed in Japan through the Toyota dealer network.

However, there has been increasing criticism in the US of what is seen to be a lack of progress by the Japanese companies in carrying out their proposed procurement plans.

Toyota, at the time, indicated it would make efforts to purchase \$3.2bn (26.1bn) worth of car parts worldwide by 1994. Of this, \$3.28bn was expected to be purchased from the US, including local procurement by Toyota's US manufacturing facilities.

Car and car parts exports to Japan have become an increasingly important issue for the US. When former President George Bush visited Japan last year Japanese motor manufacturers agreed to make efforts to import and locally procure more US cars and car parts.

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EC and US fail to end row on procurement

By Lionel Barber in Brussels

EC and US negotiators have apparently failed to make a breakthrough in two rounds of talks this week in Brussels aimed at resolving the transatlantic dispute over government procurement rules.

The impasse raises the stakes ahead of next week's talks in Washington in the US, but the political fallout would be much greater. EC-US relations have soured over disagreements on steel subsidies and the stalled Gatt world trade talks.

During next week's talks, both sides will discuss how to give fresh impetus to the Gatt Uruguay round, focusing on improving market access through lower tariffs.

The EC is prepared to waive the article, but only in return for reciprocal concessions in the US market.

The sanctions would amount to just \$60m (53.1bn) on existing EC contracts in the US, but the political fallout would be much greater. EC-US relations have soured over disagreements on steel subsidies and the stalled Gatt world trade talks.

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the Republican filibuster. The latest data yesterday provided further evidence that the economic recovery had begun to lose some steam. Industrial production last month remained unchanged from February, breaking a run of five consecutive monthly advances. In February, the index had risen by 0.6 per cent and in January by 0.3 per cent.

The mid-March blizzard that shut down much of the east coast the textiles, steel, furniture, tobacco and clothing industries hard. Earlier, the government reported a 1 per cent decline in retail sales in the month, again partly attributable to the bad weather.

The Commerce Department also reported a fractional widening in the US merchandise trade deficit in February, to \$7.2bn (\$4.76bn) from \$7.16bn in January. Both exports and imports were virtually

unchanged, but the growth rate for exports turned negative, mostly a reflection of weakened demand among the main US trading partners.

The figures, announced just before Mr Clinton was to meet Mr Kiichi Miyazawa, the Japanese prime minister, in the White House, showed the US bilateral deficit with Japan growing to \$4.13bn in February from \$3.9bn in the previous month.

of new production financed by foreign investment.

Chinese imports will rise even faster - at 20 or 25 per cent a year - and the current account surplus is expected to shrink this year and possibly turn into a deficit in 1994.

India's economy is expected to grow by between 5.5 and 6 per cent annually over the next two years, the ADB says, while Malaysia and Thailand are likely to be the star performers in south-east Asia with annual GDP growth of around 8 per cent.

The report acknowledges the validity of some Asian fears about the creation of the North American Free Trade Agreement and the current account surplus is expected to shrink this year and possibly turn into a deficit in 1994.

The report forecasts that Chinese exports will continue to grow at annual rates of 15 to 16 per cent, largely as a result

Clinton acts on stimulus impasse

By Jurek Martin in Washington

PRESIDENT BILL Clinton yesterday was preparing to announce compromise proposals designed to end the congressional impasse over his economic stimulus plan.

Vice President Al Gore said the job-creating elements of the original proposal would be retained but other spending segments might be reduced in

the hope of overcoming the Republican filibuster.

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Although the ADB praised the broad thrust of economic policy in Asia - and published a section in its report analysing the continuing development of capital markets and the tax reforms being undertaken throughout the region - it also warned that future growth could be stunted by the deadlock in world trade negotiations and by a shortage of investment in infrastructure.

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AT&T 'ready to dig up Britain's streets'

By Alan Cane

AMERICAN Telephone & Telegraph, the largest US telephone company, is ready to dig up Britain's streets to build its own telephone network if its application for a UK telecommunications operator's licence is granted.

It said yesterday that it was prepared to spend millions of dollars on the infrastructure necessary to reach private and business customers and that no objections being ruled out.

The possibilities include buying lines from BT and Mercury, strategic alliances with cable television operators with licences to offer telecommunications services, radio links to homes and business premises

and laying underground cable. AT&T applied on Thursday for a licence to provide communications services in the UK and between the US and the UK. Its application is direct retaliation for BT's equivalent approach to the US Federal Communications Commission last month.

Sources close to both companies said yesterday reciprocal licences were likely to be granted within a year. Both the government and BT have welcomed the AT&T move. The government is keen to open the UK market to competition, while BT sees it as a lever in its efforts to enter the US market.

AT&T plans to move into the UK market in three phases if it wins its licence. In the first it would offer

international business customers the same voice and data transmission services it offers in the US. A company based in the US would be linked with UK subsidiaries by a single network. Network management and billing would be handled comprehensively by AT&T.

In the second phase it would add advanced services that are not marketed extensively in the UK. In the US, for example, AT&T handles 135m calls a day - 40 per cent of which are generated by its "free phone" service. Businesses pay for their customers to make toll-free calls to them, generating business worth \$5bn a year to AT&T.

The third phase would involve extending the service to domestic

customers. In the US customers pay \$8 for their own free phone number on which, for example, their children can call home without charge.

Mr David Haddington, director-general of the UK Telecommunications Managers Association, welcomed the prospect of a new competitor in the UK market prepared to invest heavily in the telecommunications infrastructure. Both quality of service and prices would benefit.

He was concerned, however, that to boost cash flow AT&T would concentrate in the first instance on "cherry picking" the more lucrative business services, upsetting the delicate balance between BT and its smaller rival Mercury.

He said the emergence of global

superplayers such as AT&T and BT would benefit business, leading to:

- Harmonised global numbering schemes, where customers would "own" their telephone numbers and so be free of interference and manipulation by the telephone operators.

- Harmonised tariff structures. Mr Haddington said he did not expect uniform pricing, but he did believe telephone calls between subscribers should cost the same regardless of which of them initiated the call.

- Harmonised standards for interconnection between different telecommunications systems to create a seamless global network.

BT plans to offer similar services in the US if granted a licence, through its "international virtual

network" service - codenamed Cyclone - expected to start this autumn with switching in London, New York, Sydney and Frankfurt.

The key issue remains terms on which reciprocal licences will be granted. AT&T is determined that it should not have to negotiate with BT over access to the UK company's network. In the US terms for access are published and standard.

There are signs that BT finds the prospect of competing in the US market sufficiently enticing to soften its stance on the price of access to its network. About 40 per cent of the world's multinational companies have their headquarters in the US and would be potential customers for Cyclone.

Smith seeks air strikes on Serbs

MR JOHN SMITH, the Labour leader, last night responded to growing public alarm over Bosnia by backing for the first time "punitive" United Nations air strikes against Serb supply and communication lines. Ralph Atkins writes.

He said an ultimatum should be issued to Serb forces in Bosnia threatening that unless they agree to an immediate ceasefire "the UN will begin air strikes... consistent with the proposals being made by Lord Owen, the EC peace envoy".

His remarks broke the near-consensus between the Labour and Conservative front benches that has prevailed so far. Mr Smith also called for an immediate UN Security Council meeting to intensify economic and military sanctions.

His decision to step up Labour's demands reflects pressure within the party for a more aggressive stance. Two frontbench spokesmen yesterday urged sending ground troops to Bosnia - an escalation of UN involvement greater than Mr Smith has envisaged. Mr Keith Vaz, local government spokesman, and Mr Tony Banks, spokesman on London, said ground troops should be sent to enforce peace.

Separately 17 Labour MPs issued a letter calling for "the active engagement of troops on the ground" if required.

Ministers back Patten on tests

CABINET ministers yesterday launched a concerted operation to back Mr John Patten, education secretary, in stressing the importance of school tests going ahead. Mr Michael Portillo, chief Treasury secretary, said: "Everyone wants higher standards. Achieving them depends on testing."

Mr William Walgrave, public-service minister, said the importance of the tests "to our competitiveness as a country should no longer be ignored".

Jasper Conran Shop in liquidation

THE JASPER Conran Shop, set up at the height of the 1980s consumer boom to sell the young designer's clothes, has gone into voluntary liquidation. Mr Bernard Harrington of Morison Stansham has been appointed liquidator.

The shop, in Brompton Road, west London, was separate to Mr Conran's design activities, which continue to trade normally.

Atomic Energy Authority fined

THE UK Atomic Energy Authority has been fined £5,000 for breaching radioactive waste controls.

The prosecution by Her Majesty's Inspectorate of Pollution was over the escape of tritium gas at the authority's Harwell laboratory, Oxfordshire.

Treasury departure

MR ADRIAN Cooper, a key member of the Treasury's forecasting team, is leaving to join the economists group at James Capel, the stockbroker, it was announced yesterday.

Holiday move

THE DEPARTMENT OF Trade and Industry has applied to the High Court for the winding up of French Country Holidays, of Lowestoft, Suffolk. The company has been trading since last year.

Crescent order

THE GOVERNMENT has served a compulsory purchase order on Capitalist owners of the former St Ann's Hotel in The Crescent, Buxton, a Grade I listed building.



One of the only trains on the move in Britain yesterday went by road on the back of a lorry. The Sir Nigel Gresley steam locomotive passed Kidderminster Station, Hereford and Worcester, on its journey from Birmingham's railway museum to the Severn Valley Railway.

Tougher rules for insurance brokers urged

By Richard Lapper

THE CONSUMERS' Association yesterday called for tougher rules for insurance brokers. It said advice offered to people buying policies was of poor quality and sometimes "abysmal".

Ms Jean Eagleham, head of money policy at the association, described the incompetence of some brokers and agents as "truly alarming".

The criticism follows a Consumers' Association survey published today which revealed flagrant breaches of industry codes of practice governing the activities of brokers and agents.

Anonymous researchers visited a random selection of 82 intermediaries in six towns and cities. They found that intermediaries frequently failed to disclose the amount of commission payments or to provide customers with copies of insurance policies.

Many intermediaries also failed to give details of their status when requested. More than half the intermediaries recommended "clearly inappropriate policies".

Mr Mike Jones, chief executive of the Association of Brit-

ish Insurers, said he believed the survey overstated the problem. "I don't think it's as bad as that. Most people have perfectly satisfactory policies. It's always possible to pick holes in a system."

Ms Ruth Rooley, director-general of the British Insurance and Investment Brokers Association, which represents 3,000 brokers, said the conclusions underlined the need for greater investment in training and acknowledged the need for regulatory reform.

She said the association's inability to enforce its code of practice was a weakness in the system.

The Consumers' Association is recommending that the insurance brokers' registration council or a new independent body should enforce regulations more actively. It says the association "has no effective sanctions" and "has neither the will nor the motivation" to fill the dual role of trade association and regulator.

It is also recommending the introduction of minimum standards of professional competence and better training.

Weekend Page IV

Strike 'fails to halt many pits'

By Robert Taylor, Labour Correspondent

BRITISH COAL said that half its 40 operational pits were producing coal yesterday in spite of a 24-hour strike called by the National Union of Mineworkers in protest at pit closures.

British Coal said this was twice the number of collieries that produced coal on the first one-day stoppage on April 2.

Mr Kevan Hunt, employee relations director, said: "An increasing number of NUM members have recognised the

futility of staying away from work in a protest to save their jobs."

Mineworkers at pits producing today are giving a clear message that industrial action is not the answer to the changes facing the coal industry at this time," he added.

Mr Ken Capstick, vice-chairman of the Yorkshire area of the NUM, accused the corporation of "propaganda". He said the only jobs being undertaken were concerned with safety and maintenance.

Mr Arthur Scargill, the NUM

president, claimed all the collieries were shut down by the strike.

Yesterday British Coal announced the end of production at two more mines, Clipstone and Beverton, on the Nottinghamshire coalfield. From this weekend all development work will end and production will cease on April 30.

For the time being the two pits will be placed on a care and maintenance basis. It added there would be no compulsory redundancies with redeployment of men to other pits.

Asian bank considers acquisition

By Scheherazade Daneshku

MEGHRAJ BANK, the private banking arm of Meghraj group is exploring the possibility of acquiring Equatorial Bank, which served about 3,000 Asian small-business customers in the UK before it went into administration last month.

The Asian community has been affected by the closure of four banks in the past year, following the collapse of Bank of Credit and Commerce International in 1991.

Roxburgh Bank went into administration earlier this month. Mount Bank was wound up last October while Albaraka International Bank's deposit-taking activities have been suspended.

Mr Anand Shah, chairman of Meghraj Bank said: "With liquidity at around 60 per cent and with assets of over £225m, we are in a strong financial condition. This gives us the ability to consider acquisitions and affords Meghraj Bank a unique opportunity to strengthen its presence in the Asian community in the UK."

The bank has offices in the Isle of Man, Luxembourg, Liechtenstein and an associate company in Jersey. Meghraj said it had instructed Coopers & Lybrand, the accountants, to investigate the possible acquisition.

Skills fear over Tecs' policies

By Liss Wood, Labour Staff

THE NATIONWIDE supply of skilled electricians is being jeopardised by the local emphasis of Training and Enterprise Councils, according to the Electrical Contractors Association, the main supplier of trained electricians.

The association, through a joint training organisation with the unions, provides a broad-based national training programme.

However, the 82 Tecs in England and Wales have different priorities for what they perceive as local skills needs and this is reflected in the amounts they offer to employers to take on young people under the Youth Training programme.

The association said that the amount offered to employers by Tecs varied from £15 to £40 a week, making it much less attractive in some areas for employers to recruit young people. This development, combined with the recession, had resulted in the intake for electrical installation apprentices halving from 4,607 in 1990-91 to 1,770 in 1992-93.

The bank has offices in the Isle of Man, Luxembourg, Liechtenstein and an associate company in Jersey. Meghraj said it had instructed Coopers & Lybrand, the accountants, to investigate the possible acquisition.

national training initiative and requirement is to be fostered and fulfilled."

The complaint is a common one among trade associations, which have a national perspective of skills needs. Attempts by the associations and industry training organisations to feed their requirements into Tecs' planning procedures have not proved successful.

The government has sought to address some other concerns of national training providers which have complained of the bureaucracy of negotiating with up to 82 Tecs. The National Training Partnership is being set up to negotiate funding with Tecs on behalf of the big national providers.

However, amounts will still vary for the same training and training organisations will still be responsible for providing separate attendance records and other details of each trainee's activities to individual Tecs. Mr Simpson said these procedures absorbed much of the efforts of trainers.

• Devonport Management, which runs the Devonport Dockyard, Plymouth, will not take on any apprentices this year. Mr Ian Williams, for the company, said this was due to job reductions and a much younger profile of the workforce.

The dockyard has taken on up to 50 recruits a year in the past and traditionally has been an important provider of craft and technology training for the region.

Sweet taste of publicity for Mars

By Gary Mead, Marketing Correspondent

"GOOD old Brits came through with a Mars bar," said the front-page headline.

Now Mars, the confectionery company, has launched an advertising campaign to capitalise on the tale of the four British climbers who were rescued on Thursday after spending six days stranded in the Russian Caucasus mountains with their local guide.

Since the first Mars bar emerged from the original factory at Slough, Berkshire, in 1932, Mars has probably spent more on advertising than the annual gross domestic products of some countries.

In the UK alone last year the confectionery company spent £5.6m on advertising the Mars bar.

For Mars the story of the climbers has been a case of some of the best publicity coming free. One public-relations executive said: "You can't even buy (advertising space) on the front pages of the tabloids. The first page you can buy in the Daily Star is page 11, and that will cost you thousands."

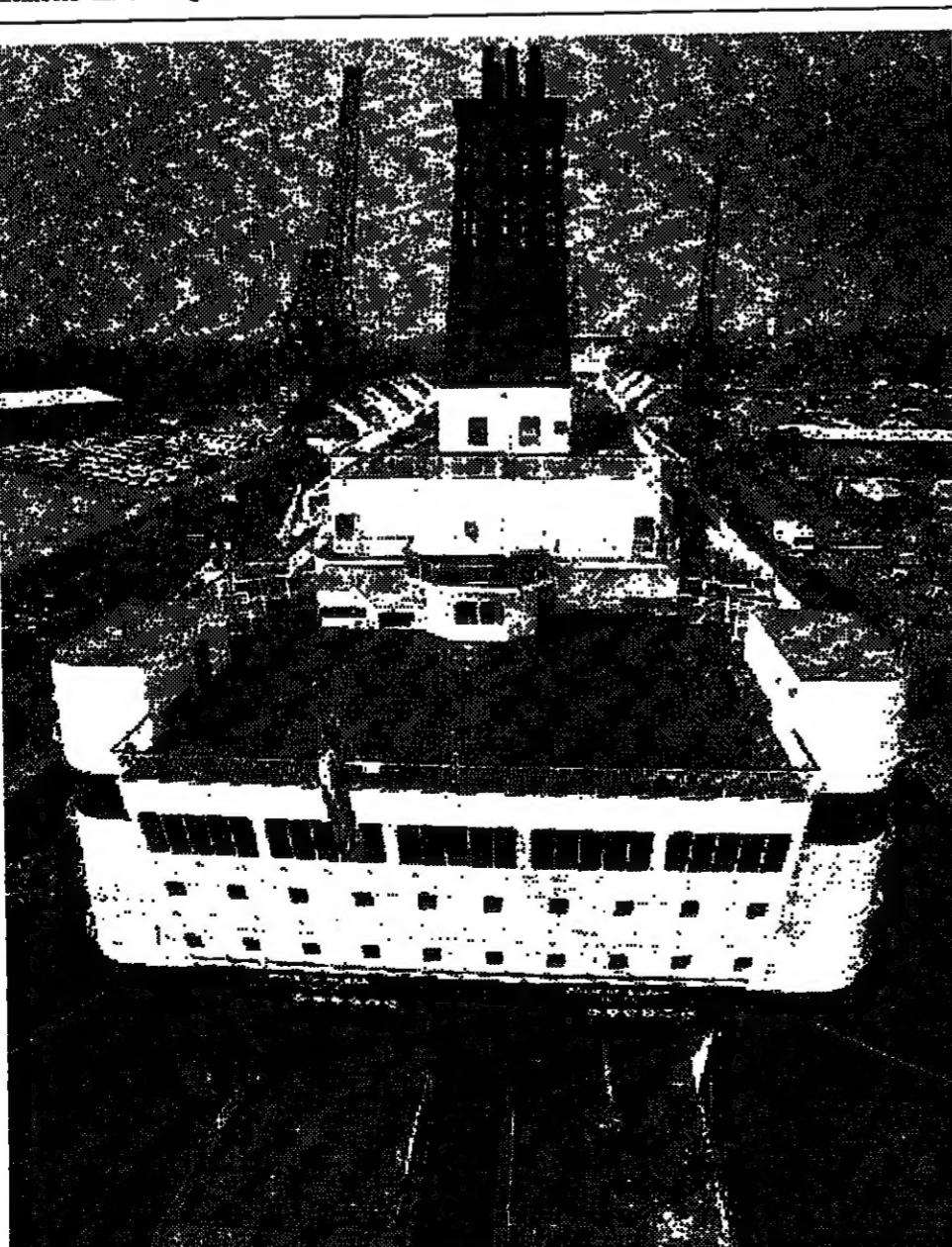
The confectionery company is backing up the welcome free publicity with its own advertising campaign. Today the British press is saturated with large advertisements from Mars, featuring the part the chocolate bar played in the

survival of the lost climbers. They are said to have endured the ordeal sustained only by snow and three Mars bars.

Mars said yesterday: "We're obviously absolutely delighted for the chaps themselves. The fact they had the presence of mind to take Mars bars with them is a terrific bonus."

Out of near-tragedy, Mars has gained an almost priceless marketing benefit - not just masses of free publicity, as the tabloids latched onto the story, but an endorsement for its most famous product splashed across front pages of national newspapers.

Mars did admit, however, to



Tomorrow the biggest cruise ferry to operate from a British port will arrive at Portsmouth. The 37,500-tonne Pride of Bilbao has a capacity of 2,500 passengers and 600 cars and will join P&O European Ferries' fleet to operate a twice-weekly service between Portsmouth and Bilbao in Spain.

Food price rises push up inflation

By Emma Tucker,
Economics Staff

SHARPER PRICE increases for food were the main influence behind the rise in inflation last month, official figures showed yesterday.

The retail prices index rose by 0.4 per cent in March from 138.8 in February to 139.3. Compared with a year ago, prices were up by 1.9 per cent, marginally higher than in February, when the annual rate was 1.8 per cent.

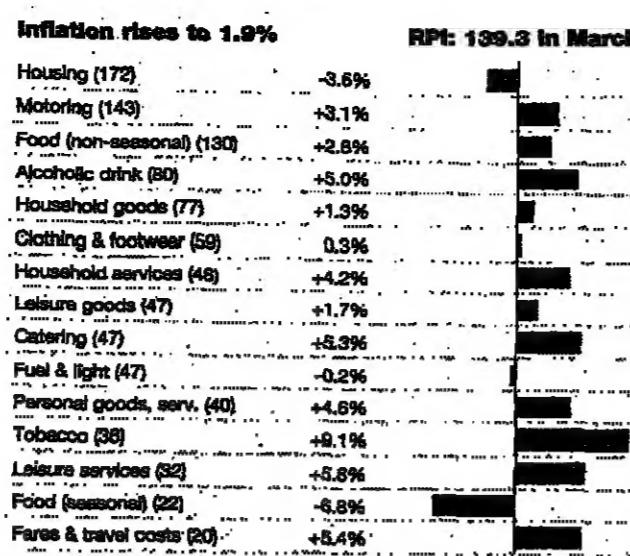
Although mortgage interest rates fell more steeply last month than at the same time last year, increases in food prices were sharper than a year ago. This, with price rises for motoring, clothing and household goods, nudged the all-items index upwards.

The Central Statistical Office reported that excluding mortgage interest payments – an underlying measure favoured by the Treasury – the annual rate rose to 3.5 per cent in March from 3.4 per cent. The month-on-month rise in this index was 0.7 per cent.

The sharpest price increases were for seasonal food, in particular fresh vegetables and home-killed lamb. The CSO said price increases for non-seasonal foods such as beef, dairy products, sugar and soft drinks reflected the recent devaluation of the "green pound" in which agricultural products are priced.

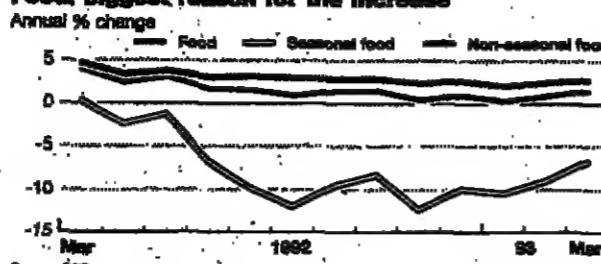
Overall food prices rose 0.8 per cent on the previous month and 1.5 per cent in the year to March, the largest March rise since 1986.

There were also big price increases for clothing and footwear. On the month, prices rose by 1.9 per cent, reflecting price recoveries from the sharp reductions in the winter sales and price increases for the new



Figures in brackets are weighted in retail prices index in parts of 1,000. Percentages represent annual % change to March 1992

Food: biggest reason for the increase



seasons' fashions entering the shops.

A 0.2 per cent month-on-month increase in fuel and light prices reflected increases in the prices of domestic heating oil. The final phase of the recent increase in telephone charges was behind a 0.5 per cent rise in household services prices compared with February.

Motoring expenditure prices rose by 1 per cent on the month, mainly as a result of increases in petrol and rises a year ago.

City economists had been expecting an unchanged inflation rate in March, although the modest increase is unlikely to generate new concerns about growing pressure on price increases.

Increases in excise duties announced in the Budget will start to affect the retail prices index this month. Statisticians said the effect on the annual rate would be fairly neutral, however, because of similar rates a year ago.

The statistics, which were not previously compiled, were put together by the Royal Institution of Chartered Surveyors and the Institute of Revenues, Rating and Valuation.

The body is lobbying the government to cut the empty-occupancy liability from 50 per cent of the normal levy to 25 per cent.

It is also asking the government to extend the grace period when occupiers are excused from paying rates from three months to 12 months after they have moved out of their premises.

"When do the property spe-

cialists think they will next be able to buy properties and undertake developments at current high yield levels and current low interest rates?" Mr Redwood asked. "Why did so many clamour to buy land at £1m or more an acre in 1988, which they would now turn down at £250 an acre?"

The government would benefit from a revival in the property market because it wants the private sector to play a leading role in the revival of urban areas. It is also seeking to dispose of large tracts of land and property through organisations such as the Commission for New Towns, which has some £2bn of property to sell, English Estates, the government's property development arm, and public-sector bodies such as British Rail.

The property industry is reluctant to increase investment as it is hamstrung by the oversupply of buildings, particularly offices in the south, its own weak finances and the reluctance of banks to make

Sharp rise in National Savings

By Scheherazade Daneshku

NATIONAL SAVINGS contributed £4.36bn to government funding in the 1992-93 financial year, an increase of 39 per cent on the previous year.

The controversial fixed-rate

First Option Bond, launched

last July to increase National

Savings' intake, raised £280m

in the year even though it was

only on sale for four months.

The launch of the bond pro-

vided charges of unfair competi-

tion from building societies,

which blamed the government

for their own shortfall in funds

last year.

This is a sharp rise over pre-

vious years, in line with the

large increase in the number of

vacant commercial properties.

Most of the revenue came from

London, where the £353m of

rates charged on unoccupied

buildings was nearly 9 per cent of

the total London commercial

rates bill.

The rising bill for rates on

empty property, which is lev-

ied at half the cost of occupied

property, has become an

increasingly heavy overhead

for landlords and those tenants

that have been unable to find

new occupiers for unneeded

premises.

Some landlords have escaped

paying rates on empty build-

ings by making their buildings

uninhabitable by stripping out

services. This option is not

open to tenants, many of

whom are facing problems sub-

letting unwanted space.

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FINANCIAL TIMES

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Saturday April 17 1993

Clinton, Japan and Russia

WHETHER Mr Clinton will succeed in rejuvenating the US economy may be doubted. What is noticeable, however, is how far he has changed the US domestic debate. The same is true on the global economic stage. The week's events in Tokyo - the \$43bn package of assistance for Russia from the group of seven industrial countries and the Y13,300bn (£76bn) emergency spending programme announced by the Japanese government on Tuesday - bear witness to his impact.

It is not that either is an altogether new departure. Assistance for Russia and stimulus packages in Japan were on last year's agenda as well. As often happens, however, developments in policy preceded a change in administration. Where the Bush administration was tentative, Mr Clinton's is aggressive. At the top of its international agenda are the twin aims of helping Russia and dealing with Japan. But its goals for the two countries conflict. Mr Clinton wants to introduce market forces into Russia's controlled economy and controls into Japan's market economy.

Naturally, that is not how he would put the point. The US view is that the Japanese trade surplus is the result of obscure obstacles to the proper working of the market. This week Japan announced an overall trade surplus for fiscal 1992-93 of \$111.34bn (272bn), up 26 per cent on the previous year. The bilateral surplus with the US was \$46.1bn, up 20 per cent. Such figures reinforce US determination, as Mr Clinton must have told Mr Kichii Miyazawa, the Japanese prime minister, in Washington yesterday.

Pre-emptive

Japan's response was a shrewdly-timed pre-emptive fiscal strike. The Japanese government produced its plump rabbit from the fiscal hat just as Mr Lloyd Bentsen, US Treasury Secretary, and Mr Warren Christopher, US Secretary of State, arrived in Tokyo for the meeting of the group of seven industrial countries on help to Russia and immediately before Mr Miyazawa went to Washington. The Ministry of Finance even argued that the spending and tax concessions would produce a 2.6 per cent increase in nominal gross national product.

Governments would be sorely embarrassed if laws governing truth in advertising applied to their pronouncements as well. As so often - including indeed, the \$43bn supposedly on offer for Russia - the rabbit was thinner than it looked. Many analysts believe the Japanese package will generate at most half the growth envisaged by the government. Unfortunately for Japanese international public rela-

tions, amongst the doubters appears to be the redoubtable governor of the Bank of Japan, Mr Yasushi Mieno.

Even the government claims that its measures would boost the country's imports by only some \$8bn, more dent in the surplus. Partly for this reason, but still more because lobby-infested Washington views trade in industry-specific terms, the Japanese package is unlikely to achieve its chief strategic goal, which was to ward off US pressure for "results-oriented" agreements on trade. Mr Christopher, for example, was not so busy urging more support for Russia that he did not find time to persuade Japan to solve individual trade issues.

Bottomless pit

Yet if the Japanese government is to secure target shares of particular imports in the Japanese markets, it must first force its citizens to make the necessary purchases. As foreign appetites grow upon what they feed, such arrangements will spread, not just within Japan but to other successful exporting countries. A market-oriented international trading system would then be replaced by a sort of mini-Comecon.

Yet Mr Clinton's emissaries also put great pressure on Japan to assist Mr Yeltsin in his attempts to rebuild the rupee left by the collapse of the real Comecon. As usual, Tokyo did not dare to say "no". Japan did not raise the vexed issue of Russian occupation of the Kurile Islands. Instead, it agreed to increase its planned bilateral assistance from \$1.2bn to \$1.8bn. This it did despite its well known conviction that Russia is the closest thing on earth to a bottomless pit.

If this perfectly plausible conviction is to be proved wrong, Russia must have a coherent and effective government implementing a coherent and effective reform strategy. At present doubters have good cause for their doubts. Mr Yeltsin is going into a referendum on April 26 that poses great risks for him. No likely result will give him the decisive victory he needs if he is to rule where now he reigns.

It is only the extraordinary importance of the effort that justifies its being made at all. But the same applies to Japan's wish to avoid results-oriented trade. In Tokyo the Europeans - particularly the Germans - insisted upon the importance of helping Mr Yeltsin, but stressed that they themselves had done enough. Germany's position is certainly defensible. But Europeans do have a fresh role to play in the US-Japan bilateral trade conflicts. They should support Japan if it decides at last simply to say "no".

Arise in the annual headline inflation rate from 1.8 to 1.9 per cent last month might not seem very significant, but it was enough to set off a minor attack of the jitters in the financial markets yesterday.

The background is an apparent revival of the British economy. Once again the forecasters appear to have got it wrong this time by being too cautious, and manufacturing output in February was 1.5 per cent higher than a year earlier. Meanwhile a frisson of expectation spread through the housing market over Easter, and the press positivity glowed at the indications of a recovery in house prices.

But will the downside to the economic recovery be a revival in inflation? This week's wholesale price indices for March appeared to show that industry is still absorbing much of the inflationary year-on-year 8.3 per cent rise in input costs of materials and fuel which has resulted from last year's devaluation. Output price inflation has remained stable at about 3.7 per cent for several months.

But if demand picks up substantially industry could decide to take advantage of the opportunity to rebuild its battered profit margins.

Mortgage interest rate cuts in the past few months have allowed the headline rate of retail price inflation to fall below 2 per cent, the lowest level for 26 years, but the underlying rate excluding mortgage interest has stayed obstinately around 3.5 per cent.

This is the version of the inflation rate that the government is targeting within a 1 to 4 per cent range. Both the Treasury (which has forecast a 3.5 per cent rate for the final quarter of 1993) and the Bank of England appear to believe it is touch-and-go whether the 4 per cent ceiling will be exceeded later this year which may explain why the government has been so pleased to see sterling strengthening in recent weeks.

Indeed the sterling index has bounced up by more than 5 per cent since its February low point, and although exporters may not be pleased at losing competitiveness, nevertheless there will be benefits for inflation, for instance from this week's cuts in petrol prices.

But these are very short-term effects. Does anybody really believe that over the longer run Britain's bad inflationary habits have been cured? Certainly the long end of the government securities market weakened on this week's evidence of economic recovery. Long gilt yields of about 8.3 per cent strike an awkward compromise between the 4 and 6 per cent returns in Japan and Germany, regarded as low inflation countries, and the double-figure yields of, for example, Italy and Spain.

There are two schools of thought. One argues that almost regardless of what the British government does the country has entered a period of strong deflationary tendencies. It could be quite misleading, and indeed dangerous, to look back to the 1970s and 1980s and follow over-restrictive policies. But many other people are scarred by their inflationary experiences of the past 25 years, during which average annual inflation has been 9 per cent.

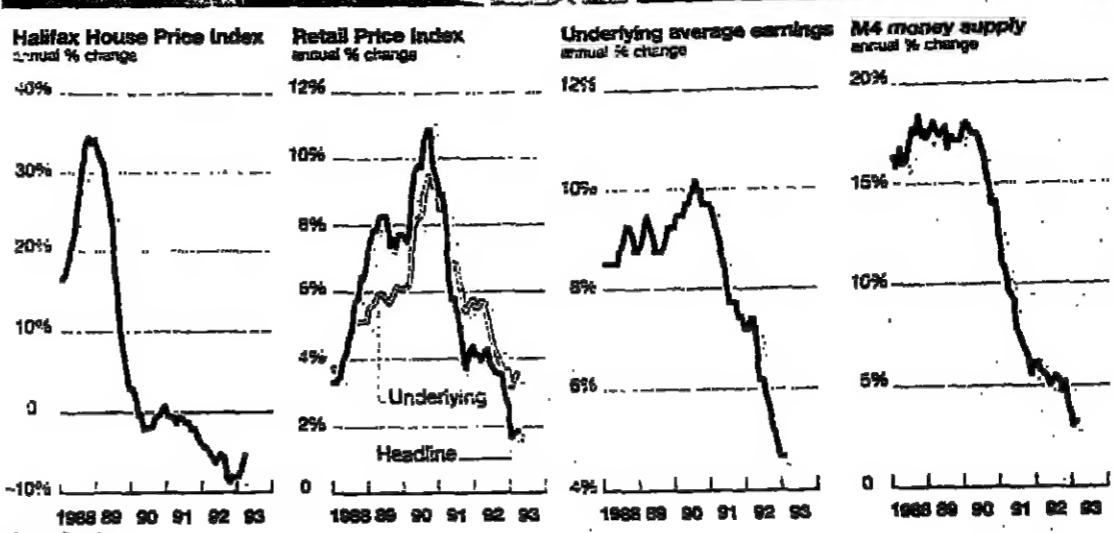
Professional investors in the City of London are deeply cynical about the ability and integrity of the government. They fear that the huge scale of prospective public borrowing will eventually force the government down an inflationary path.

To begin with, however, the opti-

Revival reawakens old demons

Barry Riley examines the extent to which the end of the UK recession may mark the beginning of higher inflation

UK economy: inflation down but not out



mists. The first point is that the decline in inflation is common to most developed countries, even to those like Italy which have the worst financial problems.

Average inflation in the Group of Seven leading industrialised nations has dropped from 4.7 per cent in 1990 to maybe 2.5 per cent this year.

Besides the short-term cyclical effects from the current recession, there has been a long-term downward trend in commodity prices. Moreover the emergence of big new industrial powers, notably China, has depressed the price level of traded goods, which in turn has caused industrial recession and a shakeout in the labour markets, especially in Europe. Pay pressures have collapsed: yesterday's UK rail strike was about job security rather than incomes, while pay inflation is now below 5 per cent and hitting new lows.

Moreover many of the English-speaking countries (together with Scandinavia and Japan) are in the grip of so-called debt inflation, as they seek to throw off the after-effects of bank lending binges and property market bubbles.

The UK is a prime member of this group. Through the 1980s the broad measure of the money supply, M4,

grew at an average annual rate of 18 per cent, fueling eventual inflation.

But now M4 growth has collapsed to little more than 3 per cent, which according to monetarist economists makes a revival of inflation quite impossible in the near future.

Finally, the social balance in Britain has changed substantially over the past 25 inflationary years. The trade unions, primarily representing aggressive younger workers, have dwindled in importance; pensioners and other older age groups, who fear inflation have grown in relative numbers.

The inflation of the 1970s, it can be argued, was triggered by a combination of trade union power and commodity price shocks.

By the 1980s inflation had been brought right down (to 2.4 per cent in the summer of 1986) but a new burst was set off by irresponsible financial deregulation leading to excessive monetary growth.

Now, however, monetary growth is, if anything, too low. There is no need to worry about inflation any more.

Investors, on this argument, may be making a dangerous mistake - the reverse of the error made in the postwar period when fixed interest

securities were bought without proper regard to the danger of future inflation. This time investors are staying in equities or in short-term deposits instead of buying long-dated gilts on yields of 8 per cent plus. When those yields tumble to 5 or 6 per cent as fears of inflation dwindle, big profits will be made. Investors clinging to the equity market or building society accounts could be left more or less stranded.

But experienced British investors who have spent a lifetime combating the menace of inflation cannot change their mind set quite so easily. Above all they are concerned about the vagueness of government policy. If a fiercely independent central bank like the Bundesbank were in charge it would be very different. But the British government bungled its participation in the European exchange rate mechanism and is now wallowing in apparent confusion.

For instance, until recently it was targeting the narrow version of the money supply M0, which was supposed to rise no faster than 4 per cent year-on-year. Recently, however, M0 growth has accelerated - to 4.9 per cent for March. The government's response has been purest

Sir Humphrey: it has changed the target band to a "monitoring range" which it says requires no action.

Similarly, but in reverse, when M4 growth sank below the 4 per cent lower limit of its previous monitoring range the Treasury simply widened the range to 3 to 8 per cent. If the government's approach to monetary control is as wishy-washy as this, how seriously can we take the target for underlying inflation? This is for a range of 1 to 4 per cent in the near term, falling to the bottom half of the range - that is, 1 to 2.5 per cent - by the time of the next election in, say, 1996.

This kind of target in itself may be ill-advised. It has, for instance, ruled out early rises in indirect taxes.

It also fails to differentiate between imported inflation, which may be a good thing if it encourages a revival of production of traded goods in the UK, and domestic inflation deriving from the public sector or the services sector, which should unquestionably be avoided.

Inflation sceptics point to the desperate need of the government to get the British economy moving ahead, which may cause it to bend its monetary policies further. But the biggest problem arises from government borrowing, forecast to reach £50bn in the current financial year, or 8 per cent of gross domestic product, a level of excess spending not seen since the inflationary 1970s. Borrowing on a similar scale could easily persist for several years.

On March 31 the Bank of England auctioned £3bn of a 20-year gilt at a yield of 8.5 per cent. Such issues are now coming monthly, and if inflation is really to tumble to 2 per cent or so they will prove exorbitantly expensive for the taxpayer to service.

You can look at this problem two ways. On the one hand, faced with wary and suspicious capital markets the government will find it difficult to pursue inflationary policies, or interest rates will move up further. On the other hand, the high interest rates will eventually make the debt burden intolerable. At some point - which might be several years off - the government would end its long-term funding programme and would resort to financing itself through the banking system.

This would set off a new spiral of rapid inflation, and the holders of the vast volumes of government debt now being issued would be the victims, effectively, of progressive *de facto* default. So you can imagine two profiles for the UK inflation rate. In one case there will be short-term pressures as price rises suppressed during the ERM period emerge through the pipeline, but deflationary forces will dominate as we move into the mid-1990s.

On the alternative model, however, inflation will become re-established as the economic recovery proceeds, and the difficulties of funding the public sector deficit will become acute.

In practice, the key to the riddle may lie in how the government reacts to economic shocks. But for the rosy scenario to unfold, surely at the very least public borrowing must be reduced well below current medium-term projections, and the authorities must develop a coherent and consistent framework for monetary policy.

The government must resist delights such as a renewed house price boom, and must initiate large-scale cuts in public spending. If you believe it will, you may believe in its inflation targets.

MAN IN THE NEWS: Rocco Forte

A narrowing of horizons

Mr Rocco Forte is in Warsaw today where Lady Thatcher is due to reopen the 92-year old Bristol Hotel. The Bristol, a joint venture between Forte and the Polish tourist agency, is a striking demonstration of the UK hotel and restaurant group's drive to expand outside its home market.

Or so Mr Forte might have said a few months ago - expanding in continental Europe has been Forte's priority for years. However, when this Thursday he presented his first full-year results since taking over from his father as chairman, the message was markedly different.

Forte is to sell £500m of assets over the next few years. It is scaling back its US operation. The Continent will have to wait. Forte's pre-tax profit of £72m before exceptional and property items was only slightly up on last year's £70m, itself well down on the year before. The value of the property portfolio has fallen by £34m. Gearing has risen to 48 per cent. There are few signs of recovery. The dividend was cut for the first time in 20 years.

These are burdens piled on top of the one Mr Forte has faced ever since, as a 16-year old, he spent his holidays working in the cellars of the company's Café Royal: that no-one is prepared to judge the son of Lord Forte, Britain's greatest hotelier, in the way they would any other businessman.

"Poor old Rocco is trapped," a City analyst once said. "If things go well, it's because of the company his father built up. If they go badly, it's because Rocco cocked it up." It is an observation with which Forte insiders grimly concur.

Investors criticised the group's announcement last October that Mr Forte was adding the title of chair-

man to the position of chief executive he had held since 1983. Unseen was heightened by the news that the 84-year old Lord Forte was remaining on the board as president - suggesting that little would change.

The appointment of three new non-executive directors - Sir Anthony Tennant, former chairman of Guinness, Sir Paul Girolami, chairman of Glaxo, and Mr Alan Wheatley, departing chairman of 3I - has only partly mollified critics.

The question of bringing in outside senior directors provokes an uncharacteristically fiery response from the mild-mannered Mr Forte. He says: "There are a lot of people who would want to be on the Forte board. But I went out and chose some high-powered and independent individuals."

The critics accept that the three new non-executives are not pushovers. They concede, too, that their appointment has changed the Forte board's balance of power. "These are Rocco's choices rather than his father's colleagues," says one. Several close observers note that Mr Forte seems more confident since becoming chairman. Other board changes are likely to follow.

Mr Forte says that Sir Anthony, who is now Forte's deputy chairman, plays an active role in the group. But when asked how often he sees Sir Anthony, it turns out to be once a week at most.

An acrimonious takeover battle left Forte with a majority of Savoy shares but a minority of votes, after which the two sides declared a five-year truce which ends in November next year. Mr Forte has not hidden his desire to gain control of the Savoy, but he says he wants the two sides to reach a civilised agreement when the five years are up. "I think the way towards a solution is



at least a year," he says. "Someone from outside might have very different views. We don't want to have rows. You've got to have harmony. The idea that you can have two equally powerful men is complete nonsense. You either have a strong chairman or a strong chief executive."

The Forte group knows all about rows. The struggle between Lord Forte and Lord Crowther, chairman of Trust Houses, rocked the City when the two groups merged in the 1970s. The 1980s row was with the Savoy group. Mr Forte says he does not intend to repeat that one either.

City critics still want Forte to appoint a strong managing director.

Mr Forte says the group will only consider a rights issue if it has a large purchase in mind. With the City still stunned by the financial crisis at the rival Queens Moat Houses, the hotel sector is not currently an investors' favourite.

By the time the hotel business follows the rest of the UK economy into recovery, memories of Queens Moat may have faded a little. If he can reduce the group's debt, Mr Forte might then be able to fashion a new, more internationally-based business. Until then, he will have to make the most of what he has inherited.

Michael Skapinker

INTERNATIONAL TRADE FINANCE

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FINANCIAL TIMES
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NEWSLETTERS

الجنة

Bank at the heart of the new Europe

Ron Freeman, first vice president of the EBRD, responds to criticism of the institution's performance

The European Bank for Reconstruction and Development was established in May 1990 by 39 member countries (this is now 54), including the UK, and two international institutions, primarily to finance privatisation in eastern and central Europe and the former Soviet Union.

To date the board has approved investment of more than £1.6bn (Ecu2bn) of the EBRD's own funds and we have raised an additional £2.5bn from third party lenders and investors for 88 projects. No other institution, public or private, has mobilised anything like these sums for eastern Europe. Headquartered in London, the bank also provides a unique opportunity for British industry to obtain "local" financing for British investments and business development among the 300m consumers in the eastern European markets.

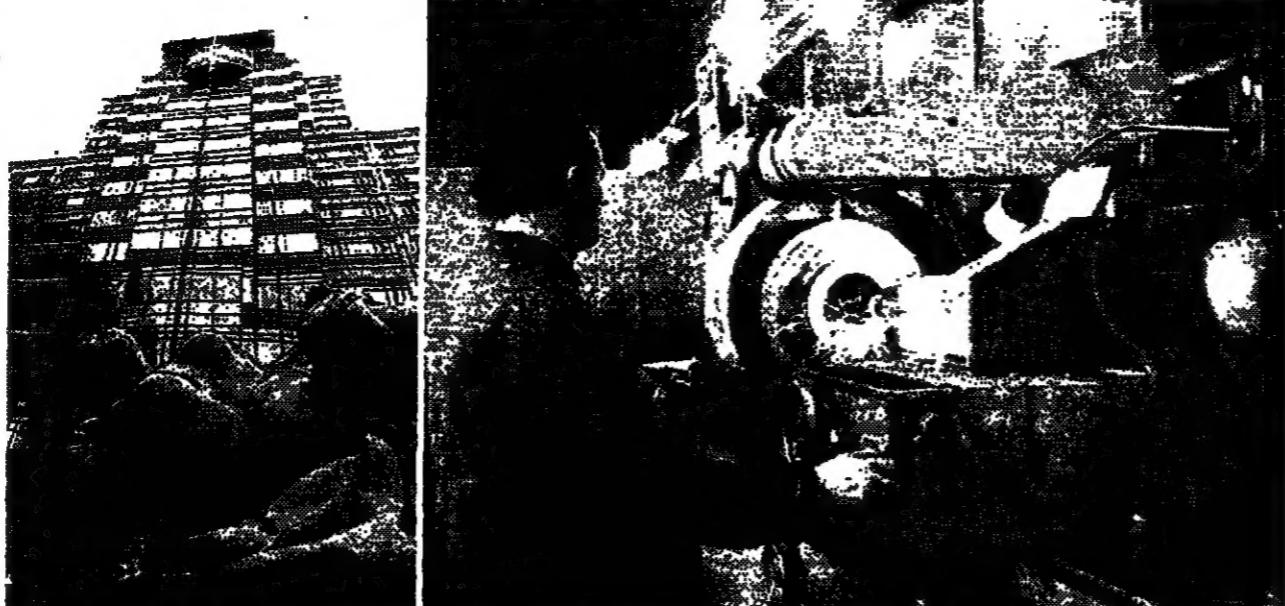
Last month Prince Charles inaugurated our new headquarters in the Broadgate development in the City of London. We were gratified to be able to become the anchor tenant in this building at very attractive terms. Our presence in the Broadgate complex reinforces the City's standing as the heart of the European financial community.

An article in the FT on 29 March confirmed that we had been able to fit out the interior of this building without detracting from the quality of the Broadgate complex.

The article concluded that: "The bank is indeed welcome in London as a crucial and inventive catalyst for the new Europe. If the creative atmosphere of culture and commerce, which is so evident in the new headquarters, is indicative of its approach to the rejuvenation of formerly communist Europe then the future in the east will be bright."

Therefore, it was with decidedly mixed emotions that we read in the FT on 13 April, rapidly followed by other national papers that we spent too much money on ourselves, not enough on central and eastern Europe and the former Soviet Union and were too slow in disbursing funds.

On the one hand, we recog-



Funds for the east: the City headquarters of the European Bank for Reconstruction and Development and a factory in Minsk

nise such press attacks as a feature of life today, as the BBC, the Bank of England, the government, and even the Crown can confirm. As such my immediate reaction was to view this assault as a very form of acknowledgement that the EBRD had joined the UK establishment. However, as a public

We carry out all operations according to sound banking principles

institution it is our responsibility to set the record straight on a number of the criticisms we have had levelled at us over past days.

First, let me deal with the costs of establishing our headquarters at Broadgate. Before we committed to Broadgate, our advisors conducted a thorough review of all accommodation options in London. Our intention throughout was to secure best value for money. We achieved this at Broadgate, agreeing terms for our building

On the one hand, we recog-

nise such press attacks as a feature of life today, as the BBC, the Bank of England, the government, and even the Crown can confirm. As such my immediate reaction was to view this assault as a very form of acknowledgement that the EBRD had joined the UK establishment. However, as a public

which were highly competitive. The building was finished to a "shell and core" basis and needed then to be fitted out for occupation.

The overall fitting out cost

was £5.5m which we financed

through a variety of sources: a

contribution from the landlord of

£5.5m, a 29-month rent-free

period for the new headquar-

ters granted by the landlord,

saving the Bank £38.4m; a

£250,000 contribution from the

City of London and £7.95m

which would have been spent

on rent at our temporary accommo-

dation at Leadenhall Street

had the new building not been completed in record time. Tight cost and budgetary control was exercised throughout by us and the teams acting for us. In the event, the building was finished well ahead of time and to budget, at a cost per square foot which is fully comparable with other headquar-

ters in the City and indeed with other international institutions.

Inevitably, there will be com-

ment about some features of

the building and whether some

things could have been done

differently or at lower cost. In

overall terms, however, the

approach which we adopted

and the result which we

achieved in establishing our

new headquarters will stand

up to objective scrutiny. We

have ended up with a good

building which suits our par-

ticular requirements as cost

effectively as any other we

have found in London.

The second criticism was the

level of funds we had disbursed

to the countries of central and

eastern Europe and the former

Soviet Union. Compared with

commitments made, the dis-

bursment figure of £14m may

seem rather limited.

The reality is that disburse-

ment of funds lags behind

board approval deliberately

and by our own bank rules.

First, since the majority of our

financing is for the private sec-

tor, state owners of entities we

finance must be "implementing"

a programme of privatisa-

tion. For state sector financing,

we must normally obtain sov-

ereign guarantees. Either of

these alternatives requires gov-

ernment action prior to our

disbursement.

Second, we co-finance nearly

all our operations. This is con-

sistent with our goal of multipli-

ying the impact of our finan-

cing. As indicated above, our

multiplier ratio is currently

four to one, as the £1.6bn of

EBRD project approvals is accompa-

nied by £6.3bn of third party co-financing. To ensure

that our co-financiers'

overall terms, however, the

approach which we adopted

and the result which we

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Second, we co-finance nearly

all our operations. This is con-

busement process than of tak-

ing unnecessary risks with tax-

payers' money. Notwithstand-

ing, we have disbursed as fast

as any other funds provider.

Let us now look to the

future. We have already com-

mitted substantial funds to

projects in eastern Europe

which will be disbursed as

soon as the process allows. We

have this week been asked by

the G7 group of leading indus-

trialised countries to establish

a \$300m fund with the speci-

al aim of promoting small and

medium-sized enterprises in

the Russian Federation.

We are also charged by the

G7 with implementing a

Nuclear Safety Fund, with a

secretariat in the bank, which

will allow the dangerous

nuclear power plants in east-

ern Europe to be overhauled.

Finally, we have launched 260

technical assistance projects

with a total value of £22.7m,

much of which is provided by

British accounting, legal and

consulting firms. Thus, we

have not been either slow to

disburse or slow in any other

respect as our beneficiary

countries have repeatedly con-

firmed. And, we are continu-

ally looking at new proposals.

Next week, we hold our

annual meeting in London. On

this occasion we will welcome

more than 2,500 foreign guests

out of 3,000 participants repre-

senting both governments and

business communities, to Lon-

don. All will, I am sure, share

with us our pride in the fast

start we have made in carrying

out our mission. The splendid

staff we have assembled and

the role we assume as the sole

international institution head-

quartered in the UK.

I anticipate that as a result

of this meeting many new pro-

jects will come to the bank.

The bank provides a forum

where investors from both



ECONOMIC DIARY

TODAY: National Savings results (March).

TOMORROW: Italian referendum on electoral reform.

MONDAY: Finished steel consumption and stock changes (fourth quarter). The economic and finance ministers of the European Community meet in Luxembourg. European Parliament in plenary session in Strasbourg (until April 23). European Community finance ministers meet with EFTA colleagues in Luxembourg to discuss initiatives to promote economic growth.

TUESDAY: Confederation of British Industry publishes survey of distributive trades (March). Public sector borrowing requirement (March). US housing starts-building permits (March). Middle East peace talks due to resume.

WEDNESDAY: Index of production and construction for Wales (fourth quarter). National referendum on Brazil's future form of government. Pathfinder prospectus for Zeneca.

THURSDAY: Britain and China are to hold talks in Beijing over the future of Hong Kong. Engineering sales and orders at current and constant prices (February). Provisional figures of vehicle production (March). Labour market statistics: unemployment and unfilled vacancies (March-provisional); average earnings indices (February-provisional); employment, hours, productivity and unit wage costs; industrial disputes. US jobless claims. Mr Edouard Balladur, French prime minister, meets Mr Helmut Kohl, German chancellor, in Bonn. British Chambers of Commerce publishes quarterly economic survey. Bundesbank council meets.

FRIDAY: Building societies monthly figures (March). Retail sales (March). Major British banking groups' monthly statement (March). Provisional estimates of monetary aggregates (March). Balance of trade with countries outside the European Community (March). US durable goods (March). The energy/environment council of the European Community meets in Luxembourg. EC/Latin America group meets in Copenhagen (until April 24). Annual meeting of EBRD.

LIFE EQUITY OPTIONS

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Genentech more than quadruples net income

By Alan Friedman in New York

GENENTECH, the California-based biotechnology company that was taken over in 1990 by Roche Holdings of Switzerland, yesterday reported an impressive jump in 1993 first-quarter net income to \$14.3m – more than four times the level of a year ago.

The profits, which translate into earnings per share of 12 cents against three cents a year ago, were struck on revenues of \$153m, up from \$129m in the same quarter of 1992. Higher product sales, royalty income and contract revenues contributed to the 19 per cent increase in turnover.

Mr Kirk Raab, president and

chief executive, said that while the results were very good, it was "even more important" that the company had filed for approval to market Pulmozyme, a new cystic fibrosis drug, in the US, Europe and Canada.

Pulmozyme is claimed to reduce the rate of respiratory infection and improve lung function in patients. Mr Raab noted that as recently as five years ago the drug was merely a "scientific idea".

In line with Genentech's heavy investment in research and development, first-quarter R&D expenses were \$74.2m, up from \$68m in the first quarter of 1992.

The R&D spending repre-

sented 48 per cent of total revenues in the quarter.

Sales of Protopic, a human growth hormone, increased by 8 per cent to \$32.2m. Sales of Actiwave t-PA, a heart attack drug, were 11 per cent higher at \$42.2m.

Genentech also said it had begun Phase II trials of a genetically-engineered treatment drug for patients infected with the HIV virus.

On Wall Street, where biotechnology stocks have suffered along with other drug stocks amid concern about the Clinton administration's plans for healthcare reform, Genentech's share price declined by 3% yesterday to \$38 before the close.

Gambro rights issue aims to fund expansion

By Christopher Brown-Hurnes in Stockholm

GAMBRO, the Swedish medical equipment maker, has announced plans for a SKr424m (\$57m) rights issue to strengthen its capital base and fund further expansion.

The company is to issue 1.84m new shares at SKr230 a share, which is 33 per cent below the current stock market level of SKr345. The move will boost its share capital by SKr36m from SKr547m.

Mr Jan Gustavsson, chief financial officer, said the group had no specific acquisition target in mind, but was looking to ensure it had adequate strength to continue the expansion that has seen it buy a number of companies in the US and Europe over the last five years.

The group's current equity/assets ratio is just above 30 per cent.

For 1992, Gambro disclosed a 27 per cent increase in profits to SKr735m and raised its dividend 20 per cent to SKr4.50 per share.

The company's two largest shareholders in terms of voting power – Cardo, which holds 58.4 per cent of Gambro's votes, and the Crafoord Foundation, which has 11.3 per cent – have both said they would fully take up their preferential rights under the issue.

The company's A-shares, which have 10 times the voting power of the B-shares, are being offered on a one-for-five basis, and the B-shares at a one-for-16 ratio.

First Chicago lifts profits to \$179m

By Alan Friedman

FIRST CHICAGO, the mid-western US bank with \$45.5bn of assets, yesterday unveiled first-quarter 1993 net profit of \$179.1m (\$1.79 per share), up significantly from the \$86.8m (\$1.08) earned a year ago.

The first-quarter comparison is based on stripping out an extraordinary accounting gain a year ago that resulted from the valuation of venture capital investment securities.

Mr Richard Thomas, chairman, said core earnings were improving and noted that the burden of bad debts was decreasing as revenues increased.

First Chicago also said it had entered an agreement with GE Capital during the quarter, under which it would sell up to \$1bn of real estate loans for about \$500m.

Non-performing assets declined by 9 per cent to \$377m during the first three months of 1993, while bad debt provisions were 44 per cent lower than a year ago at \$65m.

Net write-offs were \$74m, of which commercial write-offs accounted for \$46m and consumer write-offs \$28m.

Non-interest income rose by 29 per cent to \$490.5m, while net interest income was 3 per cent higher at \$305m.

First Chicago strengthened its capital position by issuing \$200m of convertible preferred stock.

The bank's Tier One risk-adjusted capital ratio – the ratio of capital to assets used by US regulators – stood at a healthy 7.7 per cent as at March 31.

On Wall Street, First Chicago's share price declined by 3% to \$43% before the close.

Northwest offers to buy USAir London route

By Nikki Tait in New York

NORTHWEST Airlines, the fourth-largest US carrier which is integrating operations with KLM Royal Dutch Airlines, is offering to buy USAir's Baltimore-London route for \$8m. Northwest said that it would then seek government approval to switch the route to Detroit-London.

The US carrier has long fought to obtain a route between London and Detroit, where it has a large hub. However, the bilateral aviation agreement between the US and

the UK permits only one non-stop authority between London and Detroit, which is held by Delta Air Lines.

A US bankruptcy court judge has approved the reorganisation plan put forward by Continental Airlines, meaning that the fifth-largest US carrier is poised to emerge from bankruptcy. As part of Continental's re-emergence, Air Canada and a Texan investment partnership are investing in the US carrier, in return for minority stakes. Continental went into bankruptcy – for the second time in its history – in 1980.

The rights issue is subject to shareholder approval.

Pirelli & Co also reported a preliminary loss of L125.6bn in 1992, against a L16.1bn profit in 1991. Consolidated results, together with those of Pirelli SpA, will be announced on May 14.

Rescue plan for Uni may emerge next week

By Karen Fossli in Oslo

A PLAN to restructure financially Uni Storebrand, Norway's biggest insurance group which collapsed last August, is expected soon following a breakthrough in negotiations between creditors and potential investors.

A choice is expected to be made next week between two proposals.

The collapse followed Uni's Nkr4.7bn (\$652m) acquisition of a 28.3 per cent stake in Skandia Forsikring, Sweden's biggest insurer, financed through short-term loans. A joint bid for the Swedish group with fellow insurer Hafnia failed, and the value of Uni's stake more than halved when Skandia's share price plunged.

Uni's creditors called in their loans and the insurer was unable to pay.

One proposal calls for a foreign investor to take a significant stake in Uni. Last month Norwegian authorities cleared the way for such a solution by expanding the allowance for foreign ownership in domestic financial institutions to 33% per cent from 10 per cent.

Sources close to Uni said yesterday that a large French insurer has been undertaking a due diligence process over the past few months with a view to taking a stake in Uni. The other solution, due to be presented soon to Uni's administration board by two domestic brokerage firms, calls for a share issue to raise up to Nkr1.5bn.

Pirelli set to raise L110bn

PIRELLI & Co, the holding company that controls the Italian tyre and cables group, yesterday said it planned a capital increase of L110bn (\$17.1m), Reuter reports from Milan.

The group will offer one ordinary share for every four ordinary or savings shares. The price for each new share would be L2,000, which compares with an average price on the Milan bourse of L3,838 per share in the first quarter of this year. The shares closed yesterday at L3,975.

The rights issue is subject to shareholder approval.

Pirelli & Co also reported a preliminary loss of L125.6bn in 1992, against a L16.1bn profit in 1991. Consolidated results, together with those of Pirelli SpA, will be announced on May 14.

WORLD COMMODITIES PRICES

divested 40 companies over the past two years as part of a strategy of refocusing on its core businesses, said it posted a net profit of FI 30.1m (\$16.7m) in 1992.

This marks a significant improvement from the losses of FI 121.3m suffered a year earlier, when charges of FI 92.4m were incurred for

Desperate days in Daf's demise

Kevin Done charts the final months of the Dutch truck maker

AS THE waters closed over Daf at the end of January, the troubled Dutch commercial vehicle maker had finally begun to achieve an operating profit on its core operations.

The signs of a tentative recovery provided cold comfort to the hapless holders of the now worthless shares in old Daf (Daf NV), however, at Thursday's emotional, six-hour shareholders' meeting.

Mr Cor Baan, formerly chief executive of old Daf and now chief executive of the reborn Daf Trucks, tried to justify past management actions. "The question everyone is asking themselves... is, how could Daf get into this state? We are convinced that we did everything possible to guide Daf through the difficult period."

Daf filed for protection from its creditors in The Netherlands on February 2. Leyland Daf, its UK subsidiary, went into administrative receivership a day later.

Mr Baan drew back the veil from the intractable problems that confronted the increasingly desperate Daf management, as it battled last year to stave off collapse. For the first time, he disclosed:

• the extent of Daf's mismanagement of its finance subsidiary, which by the end of 1991 had landed itself with a debilitating mismatch of long-term loans financed by short-term funding;

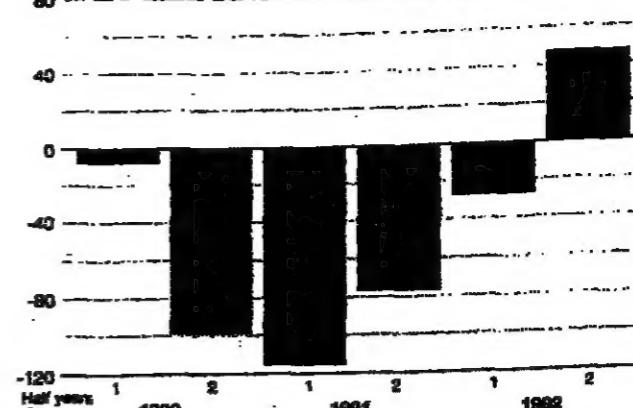
• that Daf had planned to close its van operations at Birmingham in an attempt to rescue the rest of the business (the UK van operation, now close to a management buy-out, has actually been saved by Daf's financial collapse);

• he implicitly accepted that Daf management had been misled by its ambition to match its much bigger competitors, such as Mercedes-Benz and Iveco (Fiat), in continuing to develop and renew its entire truck range without a strategic partner, in spite of Daf's much smaller sales and production volumes;

• he expressed regret that Daf had agreed to take over British Leyland's van operations

DAF

Operating profit / loss of manufacturing operations (FI million)



(Freight Rover), when it also acquired Leyland's truck operations in 1987.

The whole of 1992 was marked by a difficult and time-consuming process concerning short and long-term financing," said Mr Baan.

He revealed that Daf's banking consortium had already sought collateral for their loans at the start of 1992, as the company was failing to meet some of the ratios stipulated in its loan agreements.

"The financial situation throughout the second half of 1992 was such that discussions took place with the banking consortium virtually every month concerning an extension of the bank facility agreement," he said.

Mr Baan disclosed that it was the banks that had finally forced the company to find a deal that would force it to give up its independence. The banking consortium set the condition in its facility agreement in June 1992 that Daf should enter "co-operation with a

financially strong partner" as quickly as possible, he said.

The prime candidate for a partner was Mercedes-Benz of Germany, the world's biggest truck maker. The Dutch group's bankers insisted that Mercedes-Benz should be persuaded to take an equity stake in Daf, however, which the Dutch company's managers found difficult to bear.

Mr Baan said that Daf also held exploratory discussions with Hino of Japan and Cummins, the US engine manufacturer, but "no longer-term structural solution was offered".

By October 1992, with no progress on the Mercedes-Benz alliance, the company had begun to formulate a "new, accelerated and far-reaching plan for reorganisation". The earlier action plan Operations 92/93, implemented only 10 months before, had already become "completely inadequate", admitted Mr Baan.

DAF PRODUCTION

	1988	1989	1990	1991	1992	% change
Daf Eindhoven (medium/heavy trucks)	16,432	17,207	14,468	13,775	-25.3	
Daf Leyland (light trucks)	16,310	12,785	11,905	13,845	-16.1	
SUB-TOTAL	34,742	29,993	22,372	27,621	-24.3	
Daf Birmingham (vans)	23,515	24,575	22,274	20,069	-14.3	
TOTAL	58,258	54,568	48,647	47,720	-18.2	

Source: Daf

mainly as a result of divestments and deconsolidations. In the two years since it began its divestment drive, Internatio-Müller has sold off businesses which generated a total of FI 700m in sales.

Operating results, excluding extraordinary charges, swung into a profit of FI 43m from a loss of FI 25.2m a year earlier.

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Dutch group to resume dividend payments

By Ronald van de Krol in Amsterdam

INTERNATIO-MÜLLER, the Dutch trading and technical installation group, is to resume dividend payments for the first time since 1989 after swinging back into profit in 1992 following substantial losses in 1991.

The company, which has

book losses and reorganisation costs, in 1992, charges fell to Just FI 7.2m.

Internatio-Müller said it intended to pay a dividend of FI 1 a share over 1992 results, compared with its last pay-out of FI 3.60 per share over 1989 results.

Sales fell by nearly 10 per cent to FI 1.8bn last year,

Chicago

SOYBEANS 5,000 bu min; cents/60lb bushel

	Latest	Previous	High/Low
May	5684	5804	5604 5696
Jun	5610	5935	5654 5916
Aug	5936	5960	5272 5936
Sep	5492	5747	5492 5942
Oct	5845	5854	5422 5854

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Mixed fortunes for the dollar

THE DOLLAR had mixed fortunes in the currency markets yesterday, showing further strength against the D-Mark but weakening once more against the Japanese yen, writes *James Blitz*.

Despite the lack of any fresh currency-related news in the European morning, the dollar rose against the German currency, peaking at about DM1.6170.

The recent sell-off of the US currency has been strong enough to trigger some short covering by dealers in recent days. At the same time, there were growing expectations in the market yesterday that the Bundesbank might cut rates at its council meeting next Thursday, narrowing the differential between short term US and German rates which is capping the dollar's progress.

However, the dollar eased off against the D-Mark at the end of the day, partly as a result of lacklustre US economic indica-

tors. The Michigan university consumer confidence index raised new fears about the pace of economic recovery, falling to 84.0 per cent in April from 85.9 per cent in March.

The market had been looking for a small rise.

The US currency later closed in London at DM1.6133 from a previous DM1.6125.

Mr Gerard Lyons, chief economist at DKB International in London, believes that the Bundesbank could ease rates on Thursday. Much will depend on the figures for US money supply growth which are due out next week. "If these prove to be on the weak side, the Bundesbank might lean towards easing again," he said.

By contrast, the dollar was very weak against a yen that strengthened across the board.

The main concern in the market was that neither President Bill Clinton of the US nor Mr Kichi Miyazawa, the Japa-

nese prime minister, would register any concern about the strong yen at their meeting yesterday.

Although the Japanese authorities announced a large fiscal stimulus to the economy this week, Clinton administration officials appeared sufficiently concerned by the Japanese trade surplus to want to see the yen rise further.

There were also signs yesterday that the Japanese are not too perturbed by their currency's progress. The head of research of the ruling LDP party in Japan said that Japanese exporters would not feel any pain from the yen/dollar rate until it reached the Y110 level.

All this helped to boost the yen to a close of Y112.60 against the dollar in London from a previous Y113.20.

The Japanese currency also performed very strongly against the D-Mark closing at Y106.75 from a previous Y106.62.

Estimated volume: £100,000. Date: 14/04/93. Previous day's open int: £100,000. Date: 13/04/93.

Forward premiums and discounts apply to the US dollar.

£ IN NEW YORK

Apr.16	Latest	Previous Close
1.6280-1.5280	1.5405-1.5415	1.5415-1.5415
1.1027-1.0950	1.1026-1.1040	1.1026-1.1040
12 months -	3.77-3.78pm	3.62-3.62pm
Forward premiums and discounts apply to the US dollar.		

STERLING INDEX

Apr.16	Latest	Previous Close
9.30	9.30	9.30
9.20	9.20	9.20
10.00	10.00	10.00
10.20	10.20	10.20
10.40	10.40	10.40
10.60	10.60	10.60
10.80	10.80	10.80
11.00	11.00	11.00
11.20	11.20	11.20
11.40	11.40	11.40
11.60	11.60	11.60
11.80	11.80	11.80
12.00	12.00	12.00
12.20	12.20	12.20
12.40	12.40	12.40
12.60	12.60	12.60
12.80	12.80	12.80
13.00	13.00	13.00
13.20	13.20	13.20
13.40	13.40	13.40
13.60	13.60	13.60
13.80	13.80	13.80
14.00	14.00	14.00
14.20	14.20	14.20
14.40	14.40	14.40
14.60	14.60	14.60
14.80	14.80	14.80
15.00	15.00	15.00
15.20	15.20	15.20
15.40	15.40	15.40
15.60	15.60	15.60
15.80	15.80	15.80
16.00	16.00	16.00
16.20	16.20	16.20
16.40	16.40	16.40
16.60	16.60	16.60
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17.00	17.00	17.00
17.20	17.20	17.20
17.40	17.40	17.40
17.60	17.60	17.60
17.80	17.80	17.80
18.00	18.00	18.00
18.20	18.20	18.20
18.40	18.40	18.40
18.60	18.60	18.60
18.80	18.80	18.80
19.00	19.00	19.00
19.20	19.20	19.20
19.40	19.40	19.40
19.60	19.60	19.60
19.80	19.80	19.80
20.00	20.00	20.00
20.20	20.20	20.20
20.40	20.40	20.40
20.60	20.60	20.60
20.80	20.80	20.80
21.00	21.00	21.00
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27.40	27.40	27.40
27.60	27.60	27.60
27.80	27.80	27.80
28.00	28.00	28.00
28.20	28.20	28.20
28.40	28.40	28.40
28.60	28.60	28.60
28.80	28.80	28.80
29.00	29.00	29.00
29.20	29.20	29.20
29.40	29.40	29.40
29.60	29.60	29.60
29.80	29.80	29.80
30.00	30.00	30.00
30.20	30.20	30.20
30.40	30.40	30.40
30.60	30.60	30.60
30.80	30.80	30.80
31.00	31.00	31.00
31.20	31.20	31.20
31.40	31.40	31.40
31.60	31.60	31.60
31.80	31.80	31.80
32.00	32.00	32.00
32.20	32.20	32.20
32.40	32.40	32.40
32.60	32.60	32.60
32.80	32.80	32.80
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35.40	35.40	35.40
35.60	35.60	35.60
35.80	35.80	35.80
36.00	36.00	36.00
36.20	36.20	36.20
36.40	36.40	36.40
36.60	36.60	36.60
36.80	36.80	36.80
37.00	37.00	37.00
37.20	37.20	37.20
37.40	37.40	37.40
37.60	37.60	37.60
37.80	37.80	37.80
38.00	38.00	38.00
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41.00	41.00	41.00
41.20	41.20	41.20
41.40	41.40	41.40
41.60	41.60	41.60
41.80	41.80	41.80
42.00	42.00	42.00
42.20	42.20	42.20
42.40	42.40	42.40
42.60	42.60	42.60
42.80	42.80	42.80

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 4.30 pm on Thursday and settled through the Stock Exchange Taffman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the three previous days is given with the relevant date.

House 535p stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

• Bargains at special prices. ♦ Bargain done the previous day.

British Funds, etc

No. of bargains included 2540

Total £1.31% Sub 2000/03 - £132%

Electra 101% Sub 2005 - £119%

General Export Finance Corp PLC 11.5% Gld Nts 1994 (Br) - £103%

12.5% Gld Nts Lk Sub 2002/03 - £129%

Corporation and County STOCKS No. of bargains included nil

London County 2.5% Cons Lk Sub 1992

Birmingham Corp 2.5% Sub 1926/9 (after)

• 2.5% Lk (M493)

London Corp 2.5% Sub 1919/90 (after) - £31%

Upwood Corp 2.5% Sub 1925/95 - £31%

3% Red Sub 1942/90 (after) - £31

Metrop. Corp 2.5% Cons Lk Sub 6/ - £43

Nottingham Corp 3% Sub (mrg) - £31 H

(M493)

UK Public Boards

No. of bargains included 3

Administrative Mon Corp PLC 81% Deb

5% Lk 1990/95 - £56

7.5% Dist Servs 100% - £100 (13495)

Metrop. Water Supply & Vauhall

Water Co 3% Gld Sub - £214 (M493)

Port of London Authority 31% Sub 4/95 -

£80% (13493)

Foreign Stocks, Bonds,

etc-(coupons payable in

(London)) No. of bargains included 154

Greece (Kingdom of) 10% Lk Sub 1992/95

5% Lk 1914/Asstd with Acceptance Cert

• £30 (13493)

Abney National PLC 51% Bds 1984

8.5% Nts 1983/1900s (100000) -

8

Weaker gilts unsettle equity market

By Steve Thompson

THE improvement in market sentiment for much of the week all but disappeared yesterday as dealers reacted strongly to extremely disappointing inflation numbers as the long three-week Easter account drew to a close.

Already shortened by the Easter Monday bank holiday the week's trading was severely disrupted by the second national railway strike in two weeks. Many trading desks were badly affected by the industrial action but it was the inflation statistics which took the heart out of the day's trading. "The market's appetite went out of the window with the inflation figures," commented the head of trading at

Account Dealing Dates				
First Dealings	Apr 10	May 10		
Dealers' Dealings	Apr 15	May 8	May 20	
Last Dealings	Apr 18	May 7	May 21	
Account Dates	Apr 17	May 17	Jun 1	
Next Dealings	May 20			
Dealers' next dealings	May 21			

increasing business confidence, rises in house prices and an upturn in car sales, that the recovery in the UK economy is well and truly underway.

The session began quietly with dealers opening share prices marginally below their overnight closing levels after a less than convincing performance by Wall Street, which rallied after some hefty early falls. And London dealers were unhappy at the steep decline on the Tokyo market.

Opening some 1.7 lower the Footsie 100 did little more than mark time until the release of news that the underlying rate of inflation had risen to 3.5 per cent shook the market. It triggered a sharp sell-off in gilts where the longer dated stocks, down around an eighth of a

point at the opening, quickly went into reverse and eventually ended a busy session with losses extending to just over a full point. Index-linked issues

pointed with falls of around 1%.

The inflation numbers doused lingering hopes that UK interest rates could move lower in the short-term. Sterling fell heavily against the dollar although it was only marginally lower against the D-Mark.

The Footsie future immediately fell sharply as the inflation implications filtered into the market, taking the cash market with it. At its worst the Footsie 100 was down 22.6 at 2,817.1 with traders noting the appearance of some large lines of stock.

A modestly firm opening by Wall Street helped steady the London market which managed to recoup some of its earlier losses. Turnover was a creditable 586.7m shares.

Based on the trading volume for a selection of equity securities dealt through the SEACX system yesterday up to 4.30pm. Turnovers of one million or more are

one of the leading UK securities houses.

Equities took their cue from the gilt market where early minor falls rapidly turned into substantial losses after the inflation details were published.

The Footsie 100 index ended a thoroughly disappointing session 15.3 lower at 2,824.4, leaving the index only 2.4 higher on a week which provided strong evidence in the form of a

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- Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available on FT Cityline. Calls charged at 30p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 673 4378.

Int. Grp.	Int. Fund	Int. Pric	Off. + or -	Yield	Int. Grp.	Int. Fund	Int. Pric	Off. + or -	Yield	Int. Grp.	Int. Fund	Int. Pric	Off. + or -	Yield	Int. Grp.	Int. Fund	Int. Pric	Off. + or -	Yield	Int. Grp.	Int. Fund	Int. Pric	Off. + or -	Yield
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Capital House International Group Fds Ltd	0534 74500				Schulz Worldwide Selection Fd Ltd	00000000				Sant Life Global Management Ltd (a)	00000000				International Bond Trust	00000000				Austria-Hungary Fund Ltd	00000000			
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North America	512 720 1761	1,500	+0.01		Schulz Worldwide Selection Fd Ltd	00000000				CEC Asia Fund	00000000				CAMI Bond DM	00000000				PRC Intermed Portfolio Fd Mkt Ltd	00000000			
Japan	512 720 1761	1,500	+0.01		Schulz Worldwide Selection Fd Ltd	00000000				CEC Asia Fund	00000000				CAMI Special Fund	00000000				Specialized Fund	00000000			
Pacific Basin	512 720 1761	1,500	+0.01		Schulz Worldwide Selection Fd Ltd	00000000				CEC Asia Fund	00000000				CEC Asia Fund	00000000				Starling Income Fd	00000000			
Gold	512 720 1761	2,462	+2,614		Schulz Worldwide Selection Fd Ltd	00000000				CEC Asia Fund	00000000				CEC Asia Fund	00000000				Starling Income Fd	00000000			
Shares Fund	512 720 1761	1,000	+0.01		Schulz Worldwide Selection Fd Ltd	00000000				CEC Asia Fund	00000000				CEC Asia Fund	00000000				Starling Income Fd	00000000			
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AMERICA

Dow mixed as investors digest economic data

Wall Street

AFTER a promising start, US share prices were trading merely mixed at mid-session yesterday as investors digested the latest batch of quarterly earnings reports, writes Patrick Harrison in New York.

At 1pm, the Dow Jones Industrial Average was up 7.29 at 3,463.21. The more broadly based Standard & Poor's 500 was down 0.08 at 483.22, while the Amex composite was up 0.16 at 419.58, and the Nasdaq composite 3.32 lower at 657.00. Trading volume on the NYSE

SAO PAULO rose another 2.7 per cent at mid-session, following a 9 per cent rise in the Bovespa index earlier in the week. Investors welcomed news that the head of the privatisation commission was to stay in his post.

Equities have been active ahead of Monday's options settlement as well as on fears that the government might introduce an anti-inflation package. Inflation currently stands at 26 per cent a month.

was 168m shares by 1pm.

The market opened in a positive mood, in spite of declining bond prices and mixed economic reports. The trade deficit widened in February to \$7.2bn as exports, after months of solid growth, fell because of weakness in overseas economies. March industrial production, meanwhile, was flat.

Although the severe winter storms of last month was partially to blame for the lack of output growth, the data suggests, nonetheless, that the economy is not exactly firing on all cylinders.

Investors chose to ignore the economic news. Attention was primarily fixed on quarterly earnings, although prices eased in mid-morning as investors became more cautious ahead of the afternoon expiration of important options con-

tracts, which in the past has created volatile trading.

Among stocks affected by earnings news, Storage Technology jumped 3% to 325¢ after reporting first quarter operating profits of 14 cents a share, down from a year ago but still better than expected.

One of the day's biggest losers was Gillette, which plunged \$2 to \$49 after Bear Stearns downgraded the stock from "buy" to "hold". On Thursday, Gillette announced higher profits, but still sales.

Wal-Mart, which earlier in the week had told analysts that sales growth at its stores this year would not make it into double-figures, continued to suffer at the hands of sellers.

The stock fell another 5% to 327¢ in volume of 2m shares and is now within \$2 of its 52-week low.

Manufacturers of brand-name consumer products remained out of favour. Pepsi fell 11¢ to 377¢, Coca-Cola dropped 5¢ to 388¢ and Procter & Gamble fell 3¢ to 38¢.

J.P. Morgan climbed \$2 to 378¢ after analysts raised their ratings on the stock following its strong first quarter performance.

Canada

TORONTO moved higher at midday, supported by recent forecasts showing Canada's economic recovery gathering speed in late 1993 and into 1994. The TSE 300 index rose 8.37 to 3,843.50, up from 53.8m shares valued at C\$351m.

SOUTH AFRICA

INVESTORS were nervous as the country braced itself for possible weekend violence. The overall index gained 1.2 to 3,563 as industrials lost 5 to 4,367. Golds advanced 4 to 1,203. Vaal Reefs fell 22.50 to 822.00 and De Beers was up 50 cents at 870.

ASIA PACIFIC

Region volatile as Nikkei declines

Tokyo

A wave of profit-taking by dealers, investment trusts and arbitrageurs left equities 1.8 per cent lower ahead of yesterday's session in Washington between Mr Kiichi Miyazawa, the Japanese prime minister, and Mr Bill Clinton, the US president, writes Wayne Aponte in Tokyo.

The Nikkei average fell 377.96 to 20,297.86, still 1.9 per cent higher on the week, after a day's high of 20,743.20 and a low of 20,255.78. The broader Topix Index of all first section issues ended 24.68 lower at 1,565.10.

Volume was estimated at 550m shares compared with Thursday's 837m. Declines led advances by 221 to 271, with 99 unchanged. In London, the ISE/Nikkei 50 index rose 1.6 to 1,233.92.

Losses were attributed to political uncertainty and to some nervousness over Monday's money supply data for March. Data reflecting private bank lending and demand for

time deposits rose last February for the first time in six months. However, some economists expect negative figures for March, indicating slower economic recovery.

In spite of the day's declines, the consensus among market participants is that the Nikkei will hold above 20,000 in the short-term. One analyst at a British brokerage said that investors were looking for fresh incentives to join the market.

Profit-taking pushed Sumitomo Metal Mining, again the day's most active issue, Y22 lower at Y850. Nippon Telegraph and Telephone dropped Y10.00 to Y1.00.

The financial sector was also under pressure, with Fuji Bank down Y50 at Y1,990. Mitsubishi Bank lost Y50 to Y2,440 and the Industrial Bank of Japan dropping Y40 to Y2,800.

Mazda Motor, developing a fuel efficient engine, was actively bought, gaining Y51 to Y60.

In Osaka, the OSE average declined 193.86 to 21,984.83, in volume of 22.5m shares.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY APRIL 15 1993				WEDNESDAY APRIL 14 1993				DOLLAR INDEX					
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	US Dollar Index	Local Currency Index	Loca l Index	Gross Index	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Yen Index
Australia (69)	143.67	-0.4	137.73	102.80	119.70	132.08	-0.1	3.72	141.19	137.70	103.88	119.31	132.08	144.19
Austria (29)	144.24	-0.7	138.26	103.21	119.72	132.04	-0.4	1.90	145.27	138.26	104.64	120.10	132.04	145.27
Belgium (42)	155.29	-0.1	148.07	111.11	129.37	125.80	-0.2	4.93	155.29	148.07	111.11	128.57	125.80	155.27
Canada (10)	122.67	-0.2	117.80	87.77	102.48	112.04	-0.2	2.47	122.42	116.91	85.17	101.28	112.00	125.97
Denmark (33)	213.15	-0.2	204.42	101.55	120.38	119.00	-0.1	0.67	213.82	204.42	101.87	176.75	117.19	211.77
Finland (23)	161.81	-0.1	160.55	101.55	136.82	104.98	-0.2	0.9	165.59	81.73	81.55	102.82	99.73	85.59
France (96)	164.33	-1.7	157.45	117.51	136.82	139.44	-1.1	3.23	167.12	162.66	120.37	138.28	140.93	155.40
Germany (82)	155.29	-0.4	110.94	82.81	96.41	95.41	-0.3	2.20	161.17	110.94	83.15	86.12	95.41	155.29
Hong Kong (55)	269.24	-0.6	258.11	192.65	224.42	227.21	-0.6	3.45	270.45	212.95	161.66	171.35	227.21	269.24
Ireland (15)	169.64	-0.3	162.62	121.53	141.90	156.97	-0.1	3.11	170.40	162.62	122.74	140.99	156.97	170.40
Italy (73)	61.82	-1.0	59.86	101.65	116.82	100.15	-0.3	0.63	159.39	154.70	100.40	115.35	100.40	107.33
Japan (470)	139.95	-0.3	245.57	213.14	248.18	256.10	-0.3	2.26	226.85	265.38	215.26	247.26	297.08	298.00
Malaysia (69)	297.54	-0.3	197.13	118.63	137.30	160.65	-0.1	1.07	165.22	157.87	119.53	180.73	160.65	165.22
Mexico (16)	165.54	-0.1	159.17	122.47	142.50	140.61	-0.3	0.93	171.94	164.20	114.20	142.00	171.94	165.54
Netherlands (24)	171.16	-0.5	164.08	33.52	99.02	45.97	-0.7	4.76	171.16	164.08	33.52	99.02	164.08	171.16
New Zealand (13)	146.84	-1.1	144.90	111.57	128.90	143.48	-0.3	1.85	156.44	149.39	112.68	122.44	143.17	156.10
Norway (22)	155.92	-0.3	149.47	102.41	122.76	120.58	-0.2	2.24	155.92	149.47	102.41	122.76	120.58	155.92
Singapore (38)	230.90	-0.2	221.38	102.88	126.76	135.85	-0.2	1.10	211.99	154.70	116.84	130.03	171.19	226.23
South Africa (60)	163.11	-0.7	159.71	99.03	105.38	113.88	-0.4	5.34	131.35	125.63	106.88	114.18	131.72	149.99
Spain (45)	130.08	-0.2	128.71	117.95	137.34	101.08	-0.1	1.85	165.20	158.71	101.73	132.13	168.80	149.70
Sweden (65)	164.84	-0.8	158.03	117.95	136.84	106.12	-0.0	2.02	189.00	114.46	86.29	93.13	106.12	98.04
Switzerland (58)	119.25	-0.4	117.14	126.98	147.85	170.14	-0.0	4.05	178.25	170.22	128.88	147.47	170.22	182.00
United Kingdom (219)	174.17	-0.4	170.14	124.77	132.07	132.07	-0.2	2.05	174.17	170.14	124.77	132.07	132.07	148.61
USA (519)	155.06	-0.4	175.49	130.99	142.25	143.05	-0.1	2.77	183.23	174.98	131.99	151.62	165.27	165.33
Europe (66)	146.89	-0.7	140.05	104.54	121.72	129.79	-0.2	3.37	147.09	140.43	105.88	121.88	132.99	147.81
Nordic (114)	156.81	-0.1	150.29	112.21	130.85	151.36	-0.1	1.85	156.81	149.39	112.21	130.85	151.36	151.36
Pacific Basin (713)	145.75	-0.3	131.81	102.88	118.77	106.08	-0.3	1.13	143.31	136.84	103.23			

Weekend April 17/April 18 1993

Inflation rises to 1.9% as retailers lift prices

By Emma Tucker
and James Blitz

The rate of UK inflation nudged higher last month, buoyed by food, clothing and shoe price increases. Economists, however, believe the introduction of the council tax this month will have a downward influence on the retail prices index.

Prices rose by 0.4 per cent in March, compared with February, taking the annual rate to 1.9 per cent from 1.8 per cent. The underlying measure, which excludes mortgage interest payments, rose to 3.5 per cent in the year to March, from 3.4 per cent.

The latest figures indicate that retailers are more confident about raising their prices as consumer confidence recovers. Clothing and footwear prices, for example, rose by 1.8 per cent last month compared with February, and by 0.3 per cent year-on-year, the first increase in the annual rate for four months. Sharper food price rises than sharper also affected the index.

The rise in inflation led dealers in the money markets to take the view that the UK government would not cut interest rates below the present 6 per cent.

Food price rises push up inflation.....Page 5
Revival reawakens old demons.....Page 6
Currencies.....Page 11
London stocks.....Page 13

For the first time since sterling left the European exchange rate mechanism in September 1992, prices in the sterling cash and futures markets implied that base rates would move upwards from their present levels.

Three-month interest rates in the sterling cash market - often seen as a bellwether of future rate movements - rose more than 1% of a percentage point to close at 6.5 per cent. The cost of borrowing sterling for one year moved up even more sharply, to 6.5% per cent, from a previous close of 5.5% per cent.

The gilt-edged market also reacted badly to the news, with long-dated gilts shedding a point on the day.

The Treasury said it was "unconcerned" at the official figures from the Central Statistical Office. "We have said all along that there will be a slight rise in the underlying rate as a result of

the devaluation of the pound, but there is still downward pressure on inflation," it said.

Mr Gordon Brown, the shadow chancellor, said inflation had started to rise. "By the end of the year it will be considerably higher than that of most other major industrialised countries."

Although prices often rise in April, it is possible that the annual inflation rate will drop back this month as the council tax replaces the poll tax. Council taxes are generally expected to be lower than the poll tax and politicians said its introduction would exert a downward influence on the index.

Some economists, however, said the sharp increase in clothing and footwear prices heralded new inflationary pressures. Mr Leo Doyle, of Kleinwort Benson, said: "As the economy gathers strength, it is going to be harder to repress the inflationary potential that devaluation entails."

The official figures add to evidence that the UK economy is recovering. They come after a sharp monthly increase in manufacturing output, and a big rise in house sales in the first quarter of the year.

European banana war looms as Fyffes rejects bid

By Tim Coone in Dublin and Tim Coone in New York

A RENEWED battle over market share in the European banana market loomed yesterday with the announcement by Fyffes, the UK and Irish fruit and vegetable distributor, that it had rejected a £120m (1421.5m) bid for the company.

News of the approach, widely reported to have come from the California-based Dole Foods, drove up Fyffes' share price to around 130p. It followed two days of heavy trading in the stock as rumours grew of an imminent takeover bid. Dole said it had no comment to make on the Fyffes' announcement "at this stage".

The board of Fyffes said last night that, having considered the approach, "which may or may not have led to an offer of £11.15p per share, it decided that the proposals involved in the approach are not in the best interests of the company or its shareholders and, accordingly, the discussion has terminated".

Fyffes has become a tempting takeover target for the three world leaders in the banana business, namely Chiquita (United Brands), Dole (Castle and Cooke) and Del Monte, which face substantial cuts in their access to the fast-growing EC market under new Community quota arrangements due to be implemented in July.

Under the arrangements, the cheap "dollar" bananas sourced in Central and South America by the three majors, which supply around 80 per cent of the European market, will face a quota limit of 2m tons.

Any excess triggers a tariff of Ecu8.50 (287p) per ton, around 170 per cent. About 2.3m tons of "dollar" bananas were imported by the EC last year, two-thirds by Chiquita.

Fyffes stands to benefit strongly from the new quota arrangements. Mr Neil McCann, group chairman, said the new quota regime was vital for the future of the company.

A former UK subsidiary of United Brands, Fyffes was sold for £129.4m in 1986 to FFI, an Irish fruit distribution company built up by the McCann family from Dundalk, during the 1980s and '90s. Fyffes received a full listing on the stock exchange in 1987. At 11.15p per share, yesterday's bid values Fyffes at around £1420m, including some 60m convertible preference shares on top of the 27.5m ordinary shares.

Cash-rich Fyffes is a diverse, but acquisitive company. In 1990 it began a strategy to develop its own sources of "dollar" bananas in Central America, with a view to expansion in the post-1992 European Single Market.

The bank made a profit of Ecu8.8m before Ecu10m provisions to cover possible losses on investments in Eastern Europe and the former Soviet Union. Its net loss for the year of Ecu6m was Ecu40m better than it had been expecting, he said.

The UK authorities must be painfully aware that their borrowing programme leaves them little latitude to choose the timing of gilt auctions. Yesterday's announcement of a sale of disappointing inflation figures at the end of a week in which the chancellor has reaffirmed his reluctance to cut interest rates. The inflation news may be less serious than it looks. Some impact on food prices from the green pound devaluation was inevitable and it is natural for stores to limit discounts on clothing and footwear as retail demand returns. That does not add up to a serious inflationary threat, but it was enough to unsettle long gilt prices. Since it also makes the prospect of lower base rates even more remote, there is even less incentive than before at the short end.

It is unclear where the natural demand for the new auction stock lies. This contrasts with the last sale when domestic institutions were queuing up to lengthen the maturity of their holdings. The government must hope the difference of nearly one percentage point between five-year gilts and three-month deposit rates will again attract hedged funds, but the gap may have to widen further to entice.

It would be different, of course, if sterling's strength were to change the government's mind on base rates. Then it could sell short gilts hand over fist and the equity market might wake up from a lethargy which caused it to all but ignore Wednesday's manufacturing output figures.

Lloyd's insurance

Whatever the fine details of the business plan being prepared for the Lloyd's insurance market, it must not fail to attract fresh capital. A £2bn loss for the 1990 underwriting year would mean a serious erosion of capital.

Lloyd's cannot be far from the point where it is simply not viable as a marketplace for big international risks. There is a good opportunity to attract corporate capital while insurance rates are hardening, but new entrants will need insulating from mistakes of the past, such as long-tail claims on pollution and asbestos.

The idea of leaving underwriting years open right across the market seems to have been rightly dropped. That would have been unfair on profitable syndicates. A central fund to manage such long-tail risks would be a more equitable solution. What remains open is quite which risks

should be covered - and exactly how it should be funded. New entrants might readily accept a levy, but only if one of the large American companies is interested. The new EC regime has cut the market share of dollar-based producers and handed it on a plate to Fyffes and Geest. US companies - particularly Dole, which is the best placed to return for a more aggressive bite if it should be tempted to buy that quota back. Geest has its own dollar-based plantations, so would not offer an outlet for more US bananas. Fyffes is the more tempting target.

Presumably the Fyffes' board faced a nice calculation. On the one hand, it might not be sensible to sell out when earnings are about to jump. On the other, the company is probably at its most attractive to a US acquirer now. The EC quota system may, after all, be eased in future. If the McCann family wished to sell its holding, it may not get a better moment. Perhaps the offer was seen as inadequate. In which case the board must hope that the buyer's taste for bananas encourages him back at a fuller price.

Queens Moat

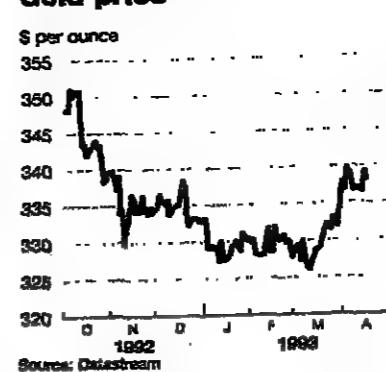
There is logic in the removal of Queens Moat House from the FT-SE Mid 250 index at a nominal price of 1p. Its current value is zero because holders cannot sell. However, assuming the quotation will eventually be reinstated at a higher price, the move amounts to an unintended distortion of the index which will come as a blow to the infant derivatives market. The problem could be avoided if the suspension was lifted, allowing the market to establish a clearing price. US investors do not expect to be trapped by such long suspensions.

THE LEX COLUMN

Lacklustre gilts

FT-SE Index: 2824.4 (-5.3)

Gold price



Sources: Goldstream

Row over Tarmac plan to give stake to US concern

By Roland Rudd and David Owen

TARMAC, the UK construction group, was embroiled in a political row yesterday over its plan to give a US group a 50 per cent stake in PSA Projects, the building design division it bought from the government five months ago.

The Labour party immediately attacked the proposed joint venture with Black & Veatch, saying it was "tantamount to handing over a subsidy to an American company for British public-sector assets".

Mr Doug Henderson, shadow local government minister, said he had written to Mr John Redwood, his opposite number at the Environment Department, asking when the government had become aware that Tarmac had "no intention" of operating PSA

Projects and whether it now proposed to act.

The sale of PSA Projects - for mainly part of the state-run Property Services Agency - to Tarmac proved controversial because of unexpectedly high costs to the taxpayer.

It involved a government payment to Tarmac of £64.9m to cover unpaid bills and to meet the cost of putting the business on a commercial footing, and a further £20m to cover costs of redundancies.

The Environment Department dismissed Labour charges, saying: "Those monies are not going to Black & Veatch".

It said: "We were not concerned: we knew about the relationship. The obligations that were made to staff remain exactly the same as they were."

Black & Veatch is expected to be given an immediate role in PSA Projects.

EBRD is told to provide spending details

Continued from Page 1

obtained for all elements.

He said it was "not necessarily appropriate" to order more modest furnishings. "We got beautiful offices for a useful price," he said. "Maybe we should have made the offices look ugly [to ward off criticism]."

One director said proposals to change the budget-making pro-

cess would be implemented after the annual meeting beginning next weekend. Proposals cover the drawing up of the budget and surveillance to ensure costs are being controlled.

A number of directors, including those from Canada, Australia and the UK, have been concerned that the bank's control of overheads should be tighter.

Mr Ljungbom said the bank's investments in the money mar-

kets had been so successful last year that all the bank's running costs of Ecu92.8m were covered by interest earnings and dealing costs.

The bank made a profit of Ecu8.8m before Ecu10m provisions to cover possible losses on investments in Eastern Europe and the former Soviet Union. Its net loss for the year of Ecu6m was Ecu40m better than it had been expecting, he said.

See Lex

US threat as Serbs close in

Continued from Page 1

on itselfs," he said in a series of television interviews.

Mr Hurd said the British government was not ruling out air strikes, "but we would have to be clear how they would help." He expressed the fear that such a move would have to be followed by a long drawn-out involvement of foreign ground forces in the Bosnian conflict.

Mr John Smith, Labour leader, publicly backed Lord Owen's proposals for air strikes. Mr Smith said Serb forces in Bosnia should be given an ultimatum that unless the killing of Bosnian Moslems stopped immediately, the

Lloyd's pins hopes on rejig

Continued from Page 1

UN would start air strikes on supply and communication lines.

Both the British government and Lord Owen have strongly opposed the suggestion made by Baroness Thatcher, former prime minister, that the UN arms embargo should be partially lifted to help the Moslems. The result of such action would prolong and intensify the conflict, they claim.

Meanwhile Mr Radovan Karadzic, the leader of the Bosnian Serbs, stressed yesterday that Serb units would not try to take Srebrenica, which was reported to be on the verge of surrender, if its Moslem defenders agreed to disarm.

The market has suffered a sharp decline in its capital base in recent years, but with insurance rates rising and the prospect of profits returning, informal contacts are understood to

have shown up a substantial interest among potential corporate investors.

The plan is also understood to include a reinsurance scheme allowing syndicates to reduce the uncertainty arising from old liability policies, from which claims are continuing to emerge.

Syndicates would make a one-off payment to pass the risk associated with such policies to a centrally managed fund. Council members believe such a scheme would greatly reduce the uncertainty overhanging the market.

The Lloyd's plan involves a radical restructuring of the market's agency system to reduce costs.

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Holzmann Ph	1105	+	18						
Manheim Ver	748	+	8						
Falls									
Asto	613	-	16.8						
Longue-Hill	100.5	-	13						
Porsche	523	-	13						
Springer Aet	533	-	15						
New York (S)									

SECTION II

Weekend FT

Weekend April 17/April 18 1993

JEREMY ISAACS, general director of the Royal Opera House in London's Covent Garden, can look forward to his dinner tomorrow night. While his colleagues among the arts world glitterati in the Great Room at London's Grosvenor House will be awaiting nervously the announcement of the annual Laurence Olivier awards for excellence in British theatre, opera and dance, Isaacs is serenely confident.

Not for him the stomach-churning moment when the winning envelopes are opened and success or failure becomes public property. The reason is that all eight nominations in the opera categories are for productions or performances which took place at Covent Garden in the past year.

For Isaacs, it is a change in fortune that would be met and drink to one of Verdi's tragic heroines. Last summer, not only were the daggers out for the combative Scotsman — but they were entering right between his shoulder blades.

The media was full of an orchestrated campaign criticising his management of Covent Garden and suggesting that an Arts Council investigation — chaired by Baroness Mary Warnock, former Mistress of Girton College, Cambridge — would produce an extremely critical report. The hostile headlines were timed to influence the board of the ROH as it considered whether to renew his contract.

In the end, the board wavered only slightly under the pressure and extended Isaacs' contract for two rather than three years, until 1995. And the Warnock report, although censuring Covent Garden for giving artistic considerations priority over finance (not in itself a heinous attitude for an opera house), was not totally negative. The would-be assassins melted away and Isaacs ran up many successes.

On Wednesday, he put on a typically bullish performance for the media, announcing a profit for the year of £760,000 (reduced to £266,000 by contingency payments towards early retirements and redundancies) and audiences over the year of 85 per cent for opera and 86 per cent for dance. He also confirmed that the Covent Garden board was determined to go ahead with its controversial £150m redevelopment programme for the opera house and its surrounds, despite the marked lack of enthusiasm shown for the project by Warnock and the council, Covent Garden's main paymaster.

There was even some speculation that Isaacs would be able to announce this week that the funding for the "new" Covent Garden, which involves modernising a backstage mechanical system that predates the first world war, was actually in place; but it was not to be. A meeting last month with John Major, the prime minister, produced expressions of goodwill but not a firm promise to deliver the £45m the ROH is seeking from public funds. It is pledged to raise a match-



On song at the opera

Covent Garden has confounded its detractors but the once-mighty ENO is in decline, says Antony Thornicroft

ing £45m itself, with the remaining £90m coming from an adjacent commercial development. But Isaacs' willingness to pursue the project publicly suggests that Covent Garden is confident the scheme will go ahead.

A few hundred yards down the road at the Coliseum, Peter Jonas, director of the English National Opera, also has experienced the vicissitudes of fortune. While Covent Garden could do little right, the ENO was riding a critical high. Just before last year's general election, its success in attracting a new, and younger, audience to its acclaimed productions, always sung in English, was rewarded by the government with the gift of the Coliseum's freehold, worth £1m.

It marked a fitting climax to the nine-year reign of Jonas, who had previously announced he was quitting this summer to take over as supremo of the Bavarian State

Opera in Munich. He seemed to be handing over the musical success story of the age to his successor, Dennis Marks, head of music programmes at BBC Television. Even when the ENO took considerable risks, such as a season devoted to 20th century operas, the challenge succeeded.

In the past few months, though, the ENO has lost its glitter. The critics have started to quibble at the perverse modernistic gloss — often involving a tilted stage — endemic among its new productions and audiences have been deserting the Coliseum in worrying numbers.

The failure to win even one nomination for the Olivier awards was confirmation that Marks takes over as a nervous ENO, troubled both artis-

tically and financially. Audiences this season are down from around 80 per cent to nearer 65 per cent and the Coliseum reported an annual loss of £1m, building towards an accumulated deficit of £2.1m.

By its very nature, opera, as the most expensive and exaggerated of art forms, always attracts dramas (not to say melodramas) and recent events in London are tame compared with the traumas in Milan, where the local audience turned against its former hero and boozed Pavarotti loudly; and Paris, where the new Bastille opera house has been dogged by strikes, resignations and vast deficits. Yet, beneath the superficial story of an heroic figure defying hostile forces and subduing them, the recent history of Covent

Garden has a more sinister subplot. Last year, for the first time, there was questioning at the very heart of the arts establishment as to whether Covent Garden need continue to exist. Its annual grant of £19.5m was a sizeable slice of a total Arts Council budget of £226m: think how many new arts ventures could be nurtured on this sum, said the critics. The populists also were shocked by Isaacs' attempt to solve the ROH's ingrained financial problems by raising prices way above the rate of inflation, so that a top seat for opera could easily cost over £100.

Lord Palumbo, the chairman of the council — who has pioneered the idea of big building projects to celebrate the millennium — was

enthused by a new national opera house to rise up on London's South Bank, where the capital's big concert halls are sited. A modernised Covent Garden seemed a second-best use of scarce resources.

Isaacs' opponents seized upon some lacklustre new productions, plus a series of disputes with orchestra and chorus which suggested Isaacs was heavy-handed in labour relations. They also claimed he had an easy-going attitude to financial controls. At the same time, they could point to the Coliseum as an opera house for the age, contemporary in approach and attracting a new audience at popular prices. But, at the crunch last summer, Covent Garden could still call enough well-connected friends to its defence, and the improvements in programming came through in time to charm critics and audiences alike. Now, the scenario has changed radically.

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The Long View/Barry Riley

Getting high on drugs



MANY BRITISH fund managers did something remarkable last year — they beat the stock market. It is a trick far more often claimed than achieved.

If you look at the performance figures published by Caps, a firm which measures the investment returns of pension funds, you will find that the median return on UK equities in 1992 was 22.4 per cent whereas the return on the All-Share Index was 20.6 per cent. Over ten years, however, these pension funds have only performed just about in line with the All-Share and have underperformed foreign equity markets by about 2 per cent a year.

Have fund managers at last got their act together? In fact it looks as though their gains resulted from favourable patterns in the market rather than from bursts of new inspiration. There are detailed explanations, one of which is the pharmaceuticals effect.

Briefly, Glaxo and Wellcome together account for a significant percentage of the aggregate value of UK equities (about 5% per cent at the end of 1992 down from 7 per cent 12 months earlier). They have a detectable influence upon the UK market indices but many of their shares are owned by foreigners or in Wellcome's case by the Wellcome Foundation. In the jargon, UK investment institutions tend to be underweight in pharmaceuticals.

It follows that when drug shares are strong the British fund managers mostly fail to keep up with the market indices, but when Glaxo and Wellcome tumble, as they did in 1992, and have continued to do in 1993 so far, British fund managers can hardly help beating the market. If you meet a fund manager he may prefer to describe this effect more positively but opaquely as "stock selection" or "sector rotation".

In fund management things are rarely quite what they seem. Investors spend too much time chasing the impossible and too little pursuing achievable, if duller, objectives. Such thoughts are stimulated by a re-reading

of Charles Ellis's book *Investment Policy: How to Win the Longer's Game*, in its new US-published second edition.

Although Ellis, a top US investment services consultant, originally wrote the book for a professional audience he has added a chapter for private investors. He says, for instance, do not add up your wealth more than three or four times a year or you may get too caught up with what the crowd are doing.

Retail investment institutions are currently doing a roaring trade in guaranteed products which offer downside protection against a stock market setback.

Often these make ingenious use of the futures markets. But is there really any point? The market pays equity investors to accept risk. These fancy products often lose four or five points of gross annual return, of the same order as the extra return available on equities compared with bonds. Moreover there are early surrender penalties, plus an unquantifiable risk that the guaranteed returns will not actually be delivered because of market failures in a crisis, as happened in the US with so-called "portfolio insurance" during the 1987 crash. It might be better to opt for lower-risk non-equity products in the first place.

Private investors, Ellis points out, also usually fail to understand the risks involved in high stock market valuations. For the long-term investor it best that share prices stay low, so that the future stream of dividends can be bought more cheaply. However, private punters prefer to buy into a rising market which creates a glow of prosperity but offers poorer and poorer value. On the other hand they shun a weak stock market even though it offers greater future rewards. It is, of course, difficult to avoid mixing up short-term valuations with long-term objectives: we all like to make a quick paper profit.

British pension funds are valued on a smooth-out actuarial basis, and can accept a lot of risk, so can have a high equity exposure. US funds are valued at market prices, are less risk-tolerant and must therefore have a high proportion of fixed interest securities. Thus, creating the right framework is much more important in the long run than picking an ace investment manager who promises

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John Authers with timely advice on how to pay for your child's education

PARENTS with children of school age must feel trapped between the devil and the deep blue sea. The strife over national curriculum tests in the state sector is well-publicised. Meanwhile, the independent sector makes life harder for parents by continuing to increase its fees far faster than inflation.

According to a provisional estimate by the Independent Schools Information Service, fees have risen by 8 per cent in the last year - way ahead of earnings or price inflation. ISIS's figures show that in 1992 at the senior level girls' day schools cost from £1,000 to £2,100 per term while boarders paid from £2,100 to £3,500. Boys' schools tended to be more expensive, with fees ranging up to £2,600 per term for day boys, and £3,700 for boarders.

If school fees inflation resumes at its average rate for the last few years of ten per cent, projections of the total bill sound alarming. According to Sun Life, educating a child born in 1992 at independent schools from the ages of seven to 18 would cost £310,000.

Perhaps it is not surprising that parents are resorting to desperation tactics.

Group Captain David Goucher, bursar of Bryanston, elaborated on some techniques in the latest edition of the Headmasters' Conference magazine: "The common ploys, familiar to all bursars, for delaying the day of reckoning include the accidental misdating of cheques, an irate telephone call ten days into a new term complaining that the bill has not arrived and delivering dire

threats if the next account includes a surcharge for late payment, computer breakdowns in the international bank credit transfer system, fees not yet released by trust funds, insurance companies and building societies, and, not least, the pathetically disabled duck excuse that the cheque must have been lost in the post."

None of these techniques is recommended. It makes more sense to save in advance, which will lessen the burden of fees once you have to pay them, and to take out insurance against sudden falls in income.

It is also worth analysing what the school is intended to achieve. If you just want good exam results, then the best "value for money", assuming your child is able to beat the competition, should come from big city single-sex day schools. They are cheaper than boarding schools.

Once you have decided on a school, you should find out from the bursar how much it will cost.

Parents who think that meeting fees will be difficult should ask the following questions:

■ How much help can the state provide?

The government-backed assisted places scheme will pay fees for children from low-income households. The amount of government help will depend on your family's "relevant income", which includes the total pre-tax income of both parents, and any unearned income from dependent children. It does not include social security benefits, and an allowance of £1,105 is deducted for each child in the family who is not applying for an

assisted place.

On this basis, families with income up to £9,056 are eligible to have their fees paid in full. Assistance for families on higher incomes is available on a declining scale. The maximum income you can have is £25,000. Parents interested in the scheme should contact the Department for Education Assisted Places team, Mowden Hall, Darlington, Durham DL3 9BG (tel. 0325 392163), which provides details of the scheme and the schools involved.

■ Can the school help out?

Several schools offer pre-payment plans, which can work out as offering better value than paying as you go along. The volume of fee income which arrives late leaves them feeling grateful for the improved cash flow. Some also have scholarship funds.

School schemes can be inflexible. Some, such as Harrow's, will allow you to transfer money to another school. Others will not.

Are the fees protected for the future?

This is most important if you have not saved in advance, and need to fund fees out of your regular income. Life term insurance for the main bread winner of the family, to last until the end of your youngest child's projected school career, makes sense and should not be expensive.

Permanent health insurance, to protect your income in the event of ill health, could be vital. ISIS has launched three schemes, administered by the broker Mason & Mason, to help when economic life

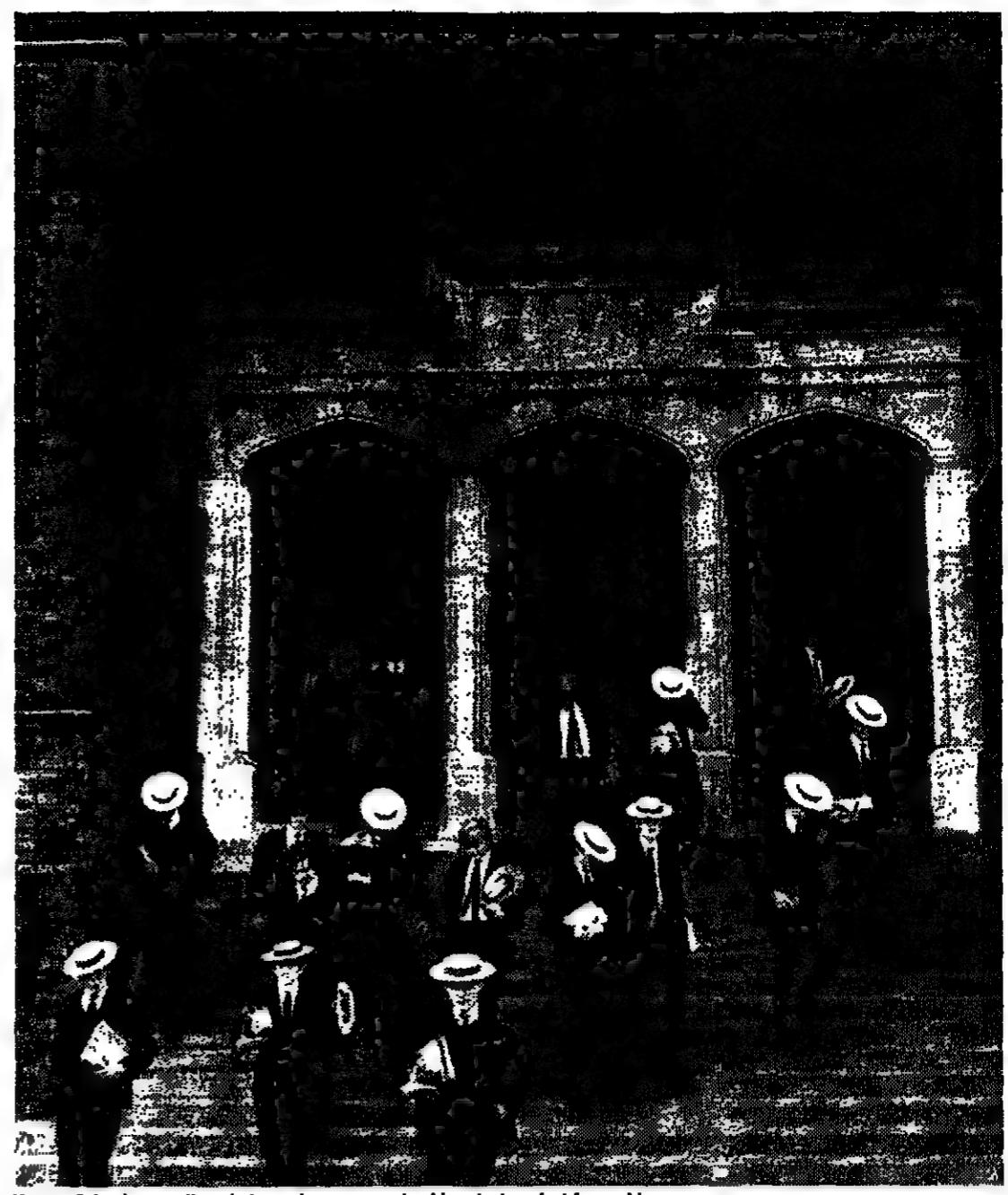
gets tougher. Future Term allows you to cover against death, disability, and redundancy (or bankruptcy) for the self-employed for the period of your child's education. The rates are expressed as a percentage of fees covered, and will increase at the end of June. They are 1.5 per cent for death, 1.75 per cent for disability, and a maximum of 3 per cent for redundancy. The entire package would therefore cost 6.25 per cent of fees, and the scheme will not pay out if you are made redundant within 90 days of joining.

That is an individual scheme. Rates are lower if your child goes to a school covered by Feesure. This covers the fees against disability, redundancy or bankruptcy, again with a 90-day period at the beginning of the policy. It will pay out for a maximum of 12 months.

A scheme launched this week will be administered by schools. Educare will cover all fees against redundancy or disability for a flat premium of 1.5 per cent. The risk for the insurers is sufficiently reduced by covering so many parents that they can afford not to bother with the 90-day exclusion at the beginning of the scheme.

Contact ISIS on 071-630-8793, or Mason & Mason on 0825-529 538, for further details.

It is best, while you have time, and a high income, on your side to save capital to be protected against these problems. If that is no longer possible, there is no reason to allow independent education to become even less accessible by failing to take out protection.



Harrow School: no matter what your income you should protect against fee problems

Pibs may fit the bill

Scheherazade Daneshkhu considers fixed-interest instruments

FIXED-interest instruments are attractive against today's economic background of low inflation and relatively low interest rates.

To those looking for income, the fixed-interest market is able to offer higher yields than the building societies. Two of the most accessible fixed-interest instruments for private individuals are bond funds and permanent interest bearing shares.

■ Bond Funds

Bonds are simply IOUs where the issuer agrees to pay interest and to return the capital on maturity. But since they can be traded, their market price varies during their life.

They come in a variety of forms, the best-known in Britain probably being government-issued securities gilts.

Few people hold a bond from issue to maturity, and the price at which they buy it might not

be the same when they sell. Most gilts trade "above par value" (in the jargon), so there is always a risk of capital loss - the sacrifice for getting a higher income than might otherwise be available.

The relationship between the interest rate and the bond's price is measured by the yield. The running yield is calculated by dividing the interest rate by the market price. As prices

rise, yields fall, and vice-versa.

Many people feel they lack the expertise to buy individual bonds and find bond funds a convenient alternative.

Most bond funds are unit trusts which, by investing in a portfolio of bonds, aim to provide the client with income and/or capital growth. Since investors must pay both initial and management charges, these will want to make sure the fund's performance makes up for the fees.

The table of the 10 largest UK bond funds with three-year records shows the yield and performance in terms of percentage growth.

Most of the funds listed invest in gilts but some, such as CU Preference, invest in the fixed-interest shares of companies.

Since companies can go bust and the UK government cannot, the increased risk of CU Preference is reflected in an above-average yield, but its performance - the lowest of the 10 - should caution investors not to look simply at the yield when choosing a bond fund.

Some funds might offer a high yield which is achieved purely by eating up capital.

That might be attractive to some investors, but they should know what they are buying.

Investors should also be aware that profits from a bond fund are subject to capital gains tax - which is not the case if the investor had bought government securities directly.

Barclays Unicorn gift fund, the largest, has both a high yield and the best performance over three years of the 10 quoted.

Apart from gilts, it also holds fixed interest securities in companies such as British Telecom and Barclays bank.

The initial charge is 3.25 per cent on amounts up to £5,000 and reduces after that; the yearly fee is 0.75 per cent.

Not all bond funds aim to

give a high income. Whittingdale's Short Dated gift fund, which has the lowest yield - 3.5 per cent - of the funds listed, is aiming for capital growth through investment in short-dated, fixed-interest securities. But its performance is lower than the sector average, although it is top over five years.

■ Permanent Interest Bearing Shares

These are issued by building societies to raise capital and are classified as debt. The

building society is under no obligation to repay the principal, so the original investment can be regained only by selling them.

Like bonds, the investor is exposed to the risk of a capital loss. So far, though, most holders have seen the value of their shares rise. Indeed, since we published a table last month showing prices at midday on March 11, all have risen - gently, in most cases. Skipton and Bradford and Bingley 11% have risen by 0.6%, while Bristol & West has seen a rise of just under 4%.

Yields have fallen correspondingly but are still some of the highest available on the fixed-interest market. Hoare Govett says that, of the Pibs on issue, it believes Bristol and West 13% is the most undervalued.

The society had a setback last year when interim results showed a 55 per cent fall in pre-tax profits, but it went on to register full-year figures which were down 42 per cent on the previous year. Hoare Govett says it believes the price for the Pibs fails to reflect the upturn at the full-year stage.

■ Next week: Returns from international bond funds

Largest 10 UK fixed interest funds			
Fund	Size (£m)	Yield (%)	Perf*
Barclays Unicorn Gilt	115.4	8.95	50.6
Axa EAL Gilt	70.3	8.45	48.7
Midland Gilt & Fixed	61.1	7.05	45.9
Whittingdale Shrt Dated	51.1	3.50	38.0
All Dunfer Govt Secs	44.3	5.20	37.0
CU Preference	35.8	8.18	32.1
Kleinwort Gilt Yld	35.1	8.00	43.5
TSB Premier Income	34.7	6.71	43.4
Manufd Gilt & Fixed	32.4	7.20	48.7
M&G Gilt Income	25.4	8.37	41.2
Sector average	15.1	8.78	38.2

Source: Moneypit. Performance figures are after-allowing for income reinvested over 3 years to April 1.

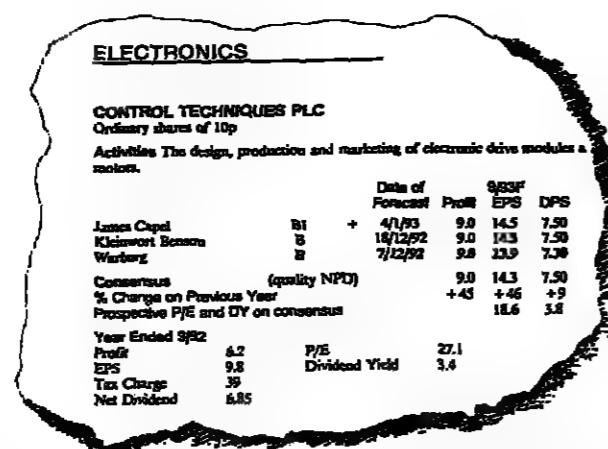
Funds without 3 year records are excluded.

*Source: Moneypit. Performance figures are after-allowing for income reinvested over 3 years to April 1.

Funds without 3 year records are excluded.

Funds without 3

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BUILDING SOCIETY INVESTMENT TERMS

Bank of Scotland	Product	Term	Rate	Rate	Rate	Interest	Minimum	Access and other details
Alison & Lester		24m	5.15	5.15	5.15	Varies	£100	£25,757.75/£5,550.00
	Home 90	1.25	5.15	5.15	5.15	Varies	£100	20 days notice/allowance inc. or
	Term	7.25	7.25	-	-	Varies	£100	1-15 days notice/allowance inc.
	Maxi	4.45	4.45	4.45	4.45	Varies	£100	1-15 days notice/allowance inc.
	Interest Accs	3.25	3.25	3.25	3.25	Varies	£100	90 day penalty - £500 for monthly income.
	Current Plus	3.15	3.15	3.15	3.15	Varies	£100	Interest access £100
	Guaranteed High Int	7.25	7.25	7.25	7.25	Varies	£100	Interest access on penalty
	First Class Int	7.25	7.25	7.25	7.25	Varies	£100,000	Interest access on £100,000
	Residence First Choice	4.45	4.45	4.45	4.45	Varies	£100	Interest access on £100,000 + 1st access. Bonus for 3 or less withdrawals
	Residence Special Award	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Maxi High Int 12 Years	7.25	7.25	-	-	Varies	£100	7.35% Gross on specific fund.
	New Voltage 3 Month	7.25	7.25	3.44	3.44	Varies	£100	2 Var Stand
	New Voltage 5 Month	7.25	7.25	3.44	3.44	Varies	£100	Monthly Income 7.40% gross and 7.40% gross and 7.75% gross.
	New Voltage 3 Month	8.00	8.00	3.44	3.44	Varies	£100	Monthly Income 7.40% gross and 7.40% gross and 7.75% gross.
	Justine Bond II	7.00	7.00	3.65	3.65	Varies	£100	90 day £350 + 7.35% 5.44 net.
	1st Ultimo	5.00	5.00	5.00	5.00	Annually	£100	Interest access on £100,000 + 1st access. £100,000 + 1st access.
	Residence	4.95	4.95	4.95	4.95	Varies	£100	Interest access on £100,000 + 1st access.
	London Deposit Ac	7.25	7.25	5.45	5.45	Varies	£100	Interest access on £100,000 + 1st access.
	Best 90 (Closed Invest)	4.55	4.55	4.55	4.55	Varies	£100	Interest access on £100,000 + 1st access.
	Monthly Accs	3.25	3.25	3.25	3.25	Varies	£100	Interest access on £100,000 + 1st access.
	90 Day	7.00	7.00	3.25	3.25	Varies	£100	90 days notice/allowance inc. £100,000 + 1st access.
	Initial Options	4.35	4.35	4.35	4.35	Varies	£100	Interest access £100,000 + 1st access.
	New Ultimo	7.25	7.25	5.45	5.45	Varies	£100	Interest access on £100,000 + 1st access.
	Elite Interest	8.10	8.10	7.25	7.25	Varies	£100	Interest access on £100,000 + 1st access.
	Premier Xtra	7.25	7.25	5.15	5.15	Varies	£100,000	Interest access available on all accounts.
	Premier Xtra	7.25	7.25	5.45	5.45	Varies	£100,000	Interest access available on all accounts.
	Premier Xtra	7.25	7.25	5.15	5.15	Varies	£100,000	Interest access available on all accounts.
	Premier Xtra	6.55	6.55	5.15	5.15	Varies	£100,000	Interest access available on all accounts.
	Term	7.25	7.25	-	-	Varies	£100	Interest access available on all accounts.
	Capital Bond	7.25	7.25	5.15	5.15	Varies	£100	90 days notice/allowance inc.
	Term	7.25	7.25	-	-	Varies	£100	Interest access on £100,000 + 1st access.
	Gold Accs	4.35	4.35	4.35	4.35	Varies	£100	Interest access on £100,000 + 1st access.
	Home Gold	7.25	7.25	5.45	5.45	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold	4.45	4.45	4.45	4.45	Varies	£100	Interest access on £100,000 + 1st access.
	Maxi Gold	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Maxi Gold II	7.25	7.25	5.45	5.45	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold	4.45	4.45	4.45	4.45	Varies	£100	Interest access on £100,000 + 1st access.
	Ultimo Gold	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold II	4.45	4.45	4.45	4.45	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold III	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold IV	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold V	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold VI	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold VII	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold VIII	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold IX	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold X	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XI	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XII	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XIII	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XIV	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XV	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XVI	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XVII	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XVIII	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XVIX	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XX	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXI	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXII	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXIII	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXIV	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXV	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXVI	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXVII	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXVIII	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXIX	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXX	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXXI	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXXII	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXXIII	5.00	5.00	5.00	5.00	Varies	£100	Interest access on £100,000 + 1st access.
	Residence Gold XXXIV	5.00	5.00</td					

FINANCE AND THE FAMILY

Investment Trusts

Proof that he who ventures wins

ONE OF THE best performing investment trusts over the past year could well be one of the least known.

Indeed, the trust's name, Pantheon International Participations, or PIP for short, does not give much of a clue as to what it does - investing in other people's venture capital funds.

This rather esoteric-sounding strategy has been fairly successful in recent times - according to *Microplan*, it was the fourth best-performing non-split capital investment trust over the year to April 1 (mid-market to mid-market with income re-invested) with a rise of 93.5 per cent.

It was top of the venture capital sector over that period and third over both the three- and five-year periods.

What is the rationale for PIP's investment policy? Most venture capital trusts buy

Philip Coggan examines the record of Pantheon International Participations, which profits from a somewhat esoteric strategy

direct equity holdings - but this can involve them in a lot of hands-on management if the companies get into difficulties. PIP avoids that problem.

Furthermore, PIP's policy means its portfolio is highly diversified. Each of the funds in which it invests has a wide range of holdings - so the damage caused by the failure of one company is much smaller.

Other venture capital trusts, such as Drayton Consolidated, have been hit badly by prominent corporate collapses.

PIP also can benefit by buying so-called "secondary interests." Many venture capital funds are launched on a private basis, with fund managers persuading a number of institutions to participate.

If one of those institutions

then wants to sell, PIP can acquire their holdings. And given the lack of alternative purchasers, usually it can buy at a discount.

Some of the recent uplift in performance, however, has come from a special factor. In February 1992, the trust purchased approximately £20m of unquoted assets from the water authorities.

The bulk of the consideration was in the form of convertible loan stock. This had a nominal rate of interest - 3 per cent - which was rolled up to allow the water authorities to purchase more ordinary shares when conversion became probable.

Since then, the water authorities have been replaced as owners of the convertible by the National Rivers Authority, which decided it wanted to realise the convertible for cash. PIP has agreed to buy it back, but at a discount to face value.

This resulted in a double boost to net asset value per share - the value of the debt fell and the prospect of the creation of a large number of new

shares disappeared.

But there is hope of a more fundamental pick-up in net asset values as the US and UK economies recover. Venture capital funds tend to lag behind the quoted sector. Valuations are based on the previous year's profits, and thus will reflect the depressed conditions of 1992.

Stock market investors already are anticipating the increases in profits in late 1993 and 1994; eventually the unquoted sector could catch up.

Of course, the whole issue of valuation is one which has dogged the venture capital sector. Investors have been disillusioned as managers have written down their previous valuations in response to bad news.

The result has been that trusts have traded at wide discounts to net asset values - 33 per cent in the case of Electra, the biggest trust in the sector. (PIP stands at a 20 per cent discount.)

PIP says it scrutinises the valuations given by the managers

of funds in which it invests - and applies a discount if necessary. It never increases the manager's valuation.

But Lewis Aaron, investment trust analyst at S.G. Warburg,

says that PIP has in the past bought portfolios at a discount and then written up the holding to asset value. "That is not necessarily a conservative approach," he points out.

He stresses, however, that manager Rhoddy Swire probably has the best knowledge of US venture capital funds of anyone he has met.

The group has a large concentration of its portfolio in the US, where the venture capital market is more developed than elsewhere.

At June 30 1992, its UK content was 43.8 per cent (funds 27.2, unquoted 8.4, gilts 8.2) and the US portion was 51.4 per cent (funds 44, unquoted 5.8, quoted 1.8). Japanese and continental funds made up the remainder.

PIP's largest 10 investments at June 30, 1992 were: Juno International Participations; Scotia Holdings; Sequoia Capital

IV; Grosvenor Technology Fund; Apax Ventures II; New Enterprise Associates III; APA Excelsior Venture Capital Holdings (Jersey); Southwest Enterprise Associates; Fleming Ventures; and East of Scotland Industrial Investments.

The trust was floated in September 1987 as GT Ventures.

Although it was launched a month in advance of the crash, it did not invest any money before Black Monday, and so was unaffected by the stock market turbulence that followed.

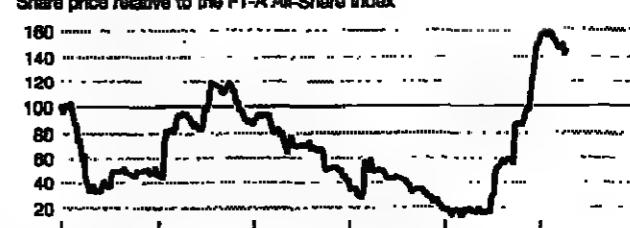
Since then, Swire has set up an independent management company, Pantheon, to run the trust. GT sold its remaining holding in Pantheon last year and the trust's name was accordingly changed from GT Venture.

Any venture capital fund is risky, and PIP is not for the cautious or for the short-term investor.

Warburg's Aaron says the trust might be attractive to those who believe, like him, that it is quite a good time to be exposed to the US venture capital sector - particularly in view of the stimulus package proposed by President Bill Clinton.

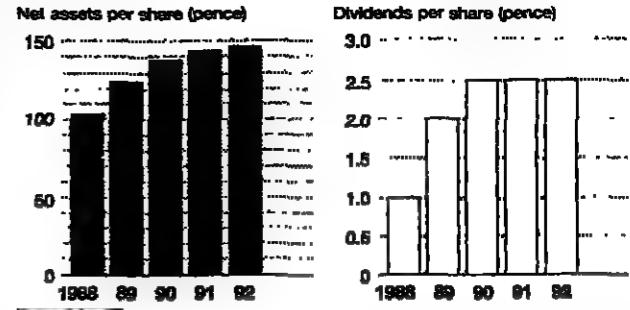
Pantheon International Participations

Share price relative to the FT-A All-Share Index



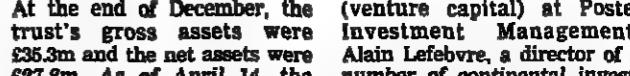
Source: Datamonitor

Net assets per share (pence)



Source: Datamonitor

Dividends per share (pence)



Source: Datamonitor

are: John Brakell, the manager (venture capital) at Postel Investment Management; Alain Lefebvre, a director of a number of continental investment companies; Richard Stanley, a director of Friends Provident; Lionel Sackville, chairman of Union Jack Oil; and Swire.

■ Savings scheme and Pep details Pantheon has no savings scheme and does not qualify for Pep status.

Directors' Transactions

THIS WEEK'S table is dominated by directors taking advantage of the new tax year to exercise and sell options. The large sales by nine of the directors of Steel Barrill Jones, the insurance broker, included disposals by Hugh Armitage, Kevin Grant-Dalton and David Low, who sold Regis Low to SBJ and, under the terms of the sale agreement, were entitled to sell 328,555 shares on or after January 7 1993. They have now sold most of these. Six other directors sold various amounts of stock while the three non-executive directors, including the chairman, made small purchases.

Over the past 18 months, the directors of Bathgate Brothers

have sold shares to satisfy demand from the market; and the recent disposals by four of them leave the board still owning about 34 per cent of the issued ordinary shares.

Shares in Granada Group, the television and leisure company, have continued to perform well. The recent exercise and sale of options by Graham Wallace at prices between 325p and 402p, follows purchases by Charles Allen of 100,000 shares at the end of March and 85,000 in August at prices of 350p and 235p, respectively. Last week also saw an announcement that the finance director had purchased 10,000 at 38p.

Colin Rogers, Directus Ltd.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No. of directors
SALES				
BAA	Trans	8,800	51	1
Cable & Wireless	Tele	30,800	218	2
Castrol	Oil/F	14,458	68	1*
Dai-ichi Gen. Gen A	Med	7,250	680	1*
Fil Group	Med	13,772	82	1*
Glynwold Int.	Med	28,125	88	1*
Grampian Holdings	Cong	18,000	21	1*
Granada Group	Med	38,772	147	1*
JIB	Int/B	90,000	174	1*
Johnson Matthey	Med	5,881	25	1
Johnson Prese	Med	5,000	28	2
Logica	Int/B	14,000	29	2
Low & Bonar Nt Pd	Pack	272,000	575	1
MB Cancon	Cong	377,354	1,116	2*
Molins	Eng/G	16,182	77	1
NFC Variable Voting	Med	5,168	23	1
Northumbrian Water	Wat	19,900	128	2*
P & O	Trans	5,200	30	1
Pearson	Chem	15,000	51	1
Prem Leisure Corp	H&L	40,000	43	2*
Robtsons Brothers	Oth	80,000	213	4
Schroders	Mer	40,000	592	1*
Southern Water	Wat	12,000	68	1
Spears (NW) & Sons	Med	8,000	55	1
Staveley Industries	Oth	28,416	67	1*
Steel Barrill Jones	Int/B	1,031,989	2,415	9
TT Group	Eng/G	24,000	62	1
Wessex Water	Wat	23,889	153	2
Wilson (Connolly)	C&C	10,000	16	1
PURCHASES				
Baltic	Oth/F	742,523	517	1
Cookson Group	Gold	15,000	28	1
Erskine House	Med	802,000	62	4
Granada Group	Edm	10,000	40	1
Johnsens Grp	Edm	20,000	22	1
Minor Group	Med	50,000	54	1
Steel Barrill Jones	Int/B	20,845	48	3
Taylor Woodrow	Edm	65,360	59	3
TI Group	Eng/G	10,000	30	1

Value expressed in £1992. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options if 10% or subsequently sold, with a value over £10,000. Information released by the Stock Exchange 6-8 April 1992.

Source: Directors Ltd, The Inside Track, Edinburgh

DID YOU MAKE 159% IN 3 MONTHS?

The January issue of Techinvest gave six nap selections for 1993. Three months later, each was making big profits for Techinvest subscribers.

Price (p) at 1-1-93	Gain	%
19½	100	412.8
43	70	62.8
16	35	118.7
127	365	187.4
20	38	90.0
165	310	86.7

Average Gain + 159.7%

Five of the above were tipped at even lower prices in previous issues of Techinvest. For instance, LBMS at 45p (April 1992) and Avesco at 10p (April 1992).

Some other technology shares have also performed spectacularly since the start of the year. Acon Computer was 266% ahead at one point, while Gresham Telecomputing ended the quarter up by 324%. The attractions of both were highlighted more than once by Techinvest during 1992.

Published monthly since 1984, Techinvest is the only investment newsletter dedicated to technology shares on the London market. Each issue is exclusively mailed first-class to subscribers.

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T E C H I N V E S T
G U I D E

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JAPAN 1970s?

NO...

CHINA 1990s.

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FACT On present trends, China is looking to overtake the USA as the world's largest economy by 2003.²

FACT Hong Kong is the conduit for China's trade. Its cargo port is the busiest in the world.

FACT Already, 80% of Hong Kong's manufacturing is conducted over the border and this vast pool of low-cost labour protects Hong Kong against inflation.

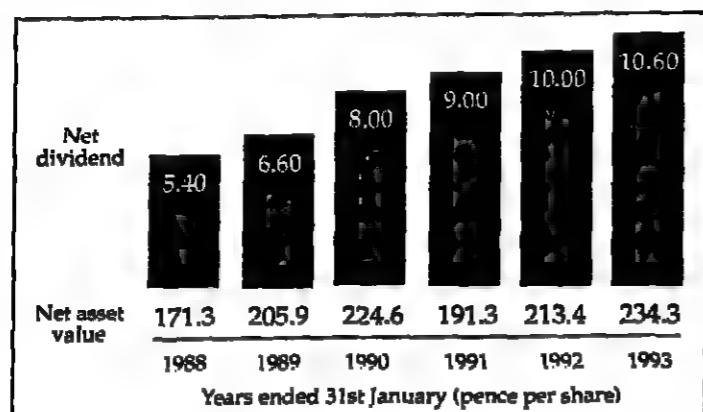
FACT Earnings on the Hong Kong Hang Seng Index have increased by an average of 16.4% p.a. since 1982.

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FINANCE AND THE FAMILY

Making CGT work for you

Philip Coggan considers the pros and cons of a new tax-efficient investment trust

THE ANNUAL capital gains tax allowance of £5,800 is one of the great unexploited tax breaks. Scottish fund management group Ivory & Sime will launch a new investment trust in May which will use the CGT allowance to offer investors a 7 per cent tax-free income, paid monthly.

Investors in the trust - Ivory & Sime ISIS - will earn their income by monthly sales of shares. Over the long term, the stock market tends to rise at a rate greater than 7 per cent. Thus, Ivory & Sime believes investors can receive their income without depleting their capital long term.

If investors have not used up their CGT allowance elsewhere, this monthly income plan is highly tax-efficient. A basic-rate taxpayer who gets £5,800 of dividend income will pay £1,160 in tax; the higher rate-payer will pay £2,320. But there is no tax to pay on the first £5,800 of capital gains. Put another way, this 7 per cent income is equivalent to 9.33 per

cent gross from the building society for basic rate-payers.

Another point in favour of the monthly income plan is that there are no initial or annual charges; nor are there any dealing costs when selling shares. And the trust does not need to invest in high-yielding (and possibly low-quality) stocks for investors to earn their income. ISIS will buy growth stocks in the FT-SE 350 index and will have a below-average portfolio yield, giving scope for capital growth.

One potential snag is that the steady sale of shares by income investors will create an ever-widening discount. But I&S hopes to get round this through its monthly savings scheme, which will offer a loyalty bonus (in the form of warrants) for those who put money away for a full year. It hopes the added value provided by the warrants will lure enough people into the savings scheme to provide a regular demand for shares and eliminate the discount problem.

Like the monthly income

plan, there are no initial or annual charges. The savings

plan does not pay income, but for those who are likely to pay CGT, there is a PEP option at no extra charge. Those who

buy shares in the trust will receive no conventional dividend income. Instead, the future dividend income stream is being sold to institutions in the form of convertible annuity shares, with a seven-year life.

There are two advantages to this structure. The first is that the sale of the future income stream generates cash up-front which immediately boosts the asset value of the ordinary shares. The second is that the annuity shares absorb Ivory & Sime's annual management & charge.

All sounds too good to be true, so what could go wrong?

If there were to be a repeat of Black Monday, or a prolonged bear market, investors could find they were rapidly eating up capital to provide their income. This could also occur if I&S managed the portfolio badly and underperformed the market substantially.

The existence of the warrants will also have a dilutive effect on the net asset value per share performance - but Ivory & Sime argues that, since

the warrants are available only to monthly savings investors, the dilution will be small.

Probably the biggest question is whether the structure will work and enough monthly savings plan investors will be found to buy the shares sold by the monthly income investors. If that does not happen, shares will have to be sold at a discount to pay the income, which could erode investors' capital.

Still, this is an ingenious, low-cost and tax-efficient scheme. As Robin Angus of County NatWest has argued, investors should concentrate on total return rather than aiming for high income alone. This trust gives them a way of doing so. You could argue about whether it can be classified as a split capital trust.

What is certainly true is that there are no classes of shares with a prior claim on its assets; thus, the ordinary shares represent a "clean" investment.

Full details of the trust will not be available until next month but a helpline is open on 0800-441 441.

Change of ownership

Pension opt-outs soaring

MANY companies affected by the recession have, unofficially, stopped contributing to their pension schemes. But this problem can be hidden from scheme members and stay beyond the reach of watchdogs.

When selling group pension schemes to company directors, insurance companies commonly emphasise the flexibility allowed over payment of contributions. "It's all part of the sales patter, particularly in money purchase schemes," said one pension sales executive this week. "You control the costs, you have flexibility. If profits are down next year, it doesn't matter - skip a year."

"We feel the OPB really does not have any teeth," said Hayhurst, explaining that the board's only sanction was to withdraw the certificate allowing a scheme to contract out of the state earnings-related pension scheme (Serps).

Now, instead of simply reporting to the OPB that a company pension scheme had gone into arrears on its contributions, and leaving matters to seep through the usual channels, Save & Prosper made a direct request for removal of the contracting-out certificate. "At that point, members' rights in Serps are at least restored," Hayhurst added.

Meanwhile, 60 members of the CTU Limited pension scheme, some past pension age, have experienced the perils of the normal procedures. More than 24 years after their company went out of business, they have no firm news of their pensions.

The CTU scheme was set up in 1968, to be operated through Eagle Star. CTU fell £60,000 short in its pension contributions in 1988, and missed a further £170,000 in 1990. None of this was known to members at the time.

Eagle Star says it reported the missed contributions to the OPB several times but the board did not withdraw CTU's contracting-out certificate until after the company had gone into receivership in June 1991.

Independent Trustee Services Ltd, which was appointed as independent trustee by the receivers at the start of 1992, has been involved almost ever since. Director Chris Martin described it this week as a Catch 22 situation. "The OPB has been asking us to state that the assets of the scheme are sufficient to cover the guaranteed minimum pensions," he said.

"We have told them we can't do that because we suspect they are not. They say that if we can't give that assurance, then we can't wind up the scheme." It also meant the trustees could not switch the scheme's assets out of Eagle Star's unitised fund and into cash or gilts.

Martin said the OPB finally had agreed to accept a statement from an actuary that the assets would be sufficient to pay the premiums to get the members back into the state scheme. But he pointed out that this all might change if a successful claim could be made on the Department of Employment for up to one year's worth of missed contributions.

This claim would have to be made with the help of the Official Receiver, with whom negotiations are in progress. But Martin warned: "That is a long way from getting a claim processed."

This message had been put into practice often during the recession, he added, with the result that up to two years' worth of pensions contributions could have been missed before the insurance company took any effective action.

"When a company gets into difficulties, pension contributions can be a good source of additional cash flow," said Mike Hayhurst, product development manager at Save & Prosper. "It might be a short-term thing and the contributions turn up [eventually]."

Hayhurst said that to avoid problems of this kind getting worse Save & Prosper now shut down any pension scheme where contributions have gone unpaid for three months, and told scheme members.

SEB has also recently negotiated a change of practice with the Occupational Pensions Board, which monitors the adequacy of pension scheme resources.

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MEY SON and I own a three-bedroom holiday house in Wales. But I am 91 and my wife 89 and we are no longer able to go. I am considering giving my half share to my daughter-in-law. How should I do this? Also, I have two sons, five grand-children and one great-grandchild. Are there advantages in forming a family trust?

You could give the house to your daughter-in-law, or in trust for your children and grandchildren. For inheritance tax purposes, if you gave it away but continued to use it without paying rent, you could be caught by the "gift with reservation" rules. But if you can no longer use it, you are no longer getting a benefit from it and the gift can be made without these rules applying. The effect of the gift with reservation rules would be that the property would stay in your estate for IHT purposes even though you had given it away.

Should you die within the next three years, the value of the gift will become chargeable to IHT. But if property values increase over the next few years, then the increase in value will escape IHT. Once you have survived for three years, then tapering relief would apply. But this might not be helpful as the gift could be covered by your nil rate band, so other assets in your estate would be subject to IHT.

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FINANCE AND THE FAMILY

Mortgage gloom for the self-employed

Scheherazade Daneshkhu looks at the limited options available

AS MORTGAGE lenders sit poised for a housing market recovery, the self-employed and those whose earnings are not regular are finding it no easier than before to get a loan.

Lenders who had their fingers burnt in the credit-happy 1980s are understandably more cautious. The weak housing market has hit their own mortgage books, while the recession has made them extra careful about the prospects for those who run their own business or depend on commission income.

Ian Darby, of mortgage broker John Charcol, believes the clampdown could have gone too far. "A gradual process which started two years ago is now reaching its peak," he said. "It is a very tough market for the self-employed."

Some types of lending are no longer obtainable - including "non-status" loans, where lenders were prepared to grant up to 65 per cent of a home's cost without references. These mortgages, regarded now as

the most irresponsible of all, disappeared in the mid-'80s.

"Self-certification" loans have diminished, too. These involved applicants putting up a large deposit - usually 25 or 30 per cent of the loan - and giving details of their income or spending. The lender would not normally seek to verify income but would want to see a previous credit reference. While variants on this type of loan remain available, they are sparse and mostly from centralised lenders.

For self-employed applicants, the standard minimum demand from the large building societies is to see three years' fully-audited accounts. "That time scale gives them time to become established, and indicates to us the income they are taking from the business," said the Halifax building society, Britain's biggest lender.

"We would expect a regular income from the business by the third year - that is what we are interested in."

The Halifax will consider giving a loan to those whose

business has been running for three years but can produce accounts for only two. It will not accept those working on commission. But Alliance & Leicester says that if the commission is regular, it will consider a maximum loan based on half the annual commission earnings.

Abbey National, the second largest lender, says it wants to make regular payments. It also requires three years' audited accounts, but says there is flexibility in cases where the company has been formed because of a split. Abbey adds: "We take a view on the business, too, and we look for signs of how robust it is."

Ian McKenna, of mortgage broker Blyth McKenna, says some people may find that the bank handling their business deals might consider providing a mortgage on more flexible terms than the societies. And some of the centralised lenders - which fund their businesses through the wholesale markets instead of deposits - may be

willing to give loans on less rigorous terms than the societies.

Centrebank, a division of Bank of Scotland, has a "special status" loan for those with a minimum deposit of 30 per cent. Applicants state the nature of their employment and the bank will take up a previous lender's reference (although first-time buyers will also be considered) and a bank reference. It would not usually want confirmation of income. The application fee is £200.

Self-employed people wanting more than 70 per cent of the purchase price need to provide a letter from an accountant stating their income for the previous three years, and a set of the past year's accounts.

Capital Home Loans, the UK mortgage arm of Credit Foncier de France, does not ask for detailed accounts although it will contact the accountant to verify the details supplied by the self-employed person - who must have been in business for at least three years.

The maximum proportion

will be 75 per cent of the value of the house, up to £150,000. Re-mortgages also are considered, to a maximum of 70 per cent of the value. The completion fee is £175 and the mortgage-holder pays a quarter percentage point above the present standard variable rate of 7.85 per cent. But first-time

buyers are not eligible. Earlier this month, Prudential launched a mortgage for the self-employed. It requires a letter from the accountant confirming that the business has been trading for 12 months and that the applicant can afford the payments. The loan is for a maximum of 75 per cent of the

purchase price and there is an arrangement fee of £250. While the interest rate is 9.8 per cent, the Pru says this is due to come down soon.

The Bank of Ireland and UCB also accept self-employed people on flexible terms. However, the choice in the market is not wide.

McKenna blames the problem generally on "a knee-jerk reaction to what has gone on in previous years when lenders generally abused the non-status facility in order to gain market share." He adds: "Those picking up the tab now are the good customers in the self-employed market."

Investments with a sense of Balance

Philip Coggan on a sector that looks attractive for first-timers

THE UK Balanced sector might seem attractive for investors making their first move into unit trusts. Funds invest in a mixture of bonds and equities and, accordingly, tend to have a relatively high yield - which can be made even more appealing in a personal equity plan.

As a sector, UK Balanced ranked eighth of 31 in the industry over the three years to April 1, with the average fund returning 24.9 per cent (offer-to-bid with income re-invested); and seventh of 20 over 10 years, with an average return of 28.2 per cent.

The best quality for the sector, a fund must have no more than 80 per cent of its portfolio in either shares or fixed interest. This gives the manager a lot of latitude. At the most conservative end, the fund could have 80 per cent in gilts and the rest

'Managers are given a lot of latitude'

in utilities such as water stocks. But an aggressive manager could have 80 per cent in equities and the rest in convertibles.

So, first-timers need to choose a fund which meets their own risk preference. Unit trust managers should be prepared to send potential investors an annual report, setting out the fund's policy.

The best performer in the sector over 10 years is Henderson Extra Income. Manager Kate Medd tries to run it for the private investor: her portfolio is split 80 per cent equities and 20 per cent bonds and she tends to favour high-yielding shares, a section of the market which has performed well over the past few months.

Over three years, the fund is 17th of 33 and it has an above-average performance over both one and five years. The present quoted yield is 5.06 per cent.

Over the short term, the best performer is Perpetual High Income. This fund is top over both three and five years and second over one year. Neil Woodford, who runs it, says the maximum 80 per cent is invested in equities. The trust holds more than 80 stocks, with no position worth more than 5 per cent. In terms of selection, it has been recovery-oriented.

Although Woodford admits the move into recovery stocks might have been premature, it meant the fund was well

Best UK balanced trusts over 3 years

Fund	% growth
Perpetual High Inc	33.6
NAP Higher Inc	48.4
Buckmaster High Inc	48.1
Arkwright Inc	40.8
Brit Life High Yld	40.8

Source: Micropal. Offer-to-bid with income re-invested over period to April 1.

Best UK balanced trusts over 10 years

Fund	% growth
Henderson Extra Income	382.3
Lloyds Bank Extra Inc	349.5
Gartmore High Income	227.4
Midland High Yield	313.7
CU PPT Mthly Income	313.5

Source: Micropal. Offer-to-bid with income re-invested over period to April 1.

Some free advice if you've lost interest in your savings account.

Falling interest rates over the last two years may have reduced the income from your savings.

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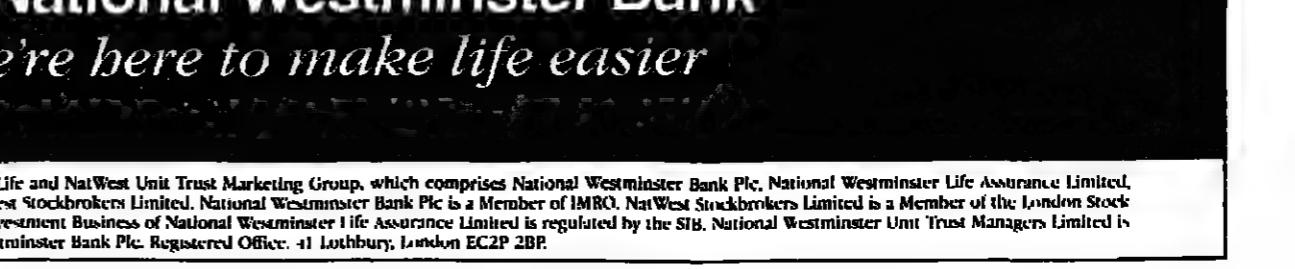
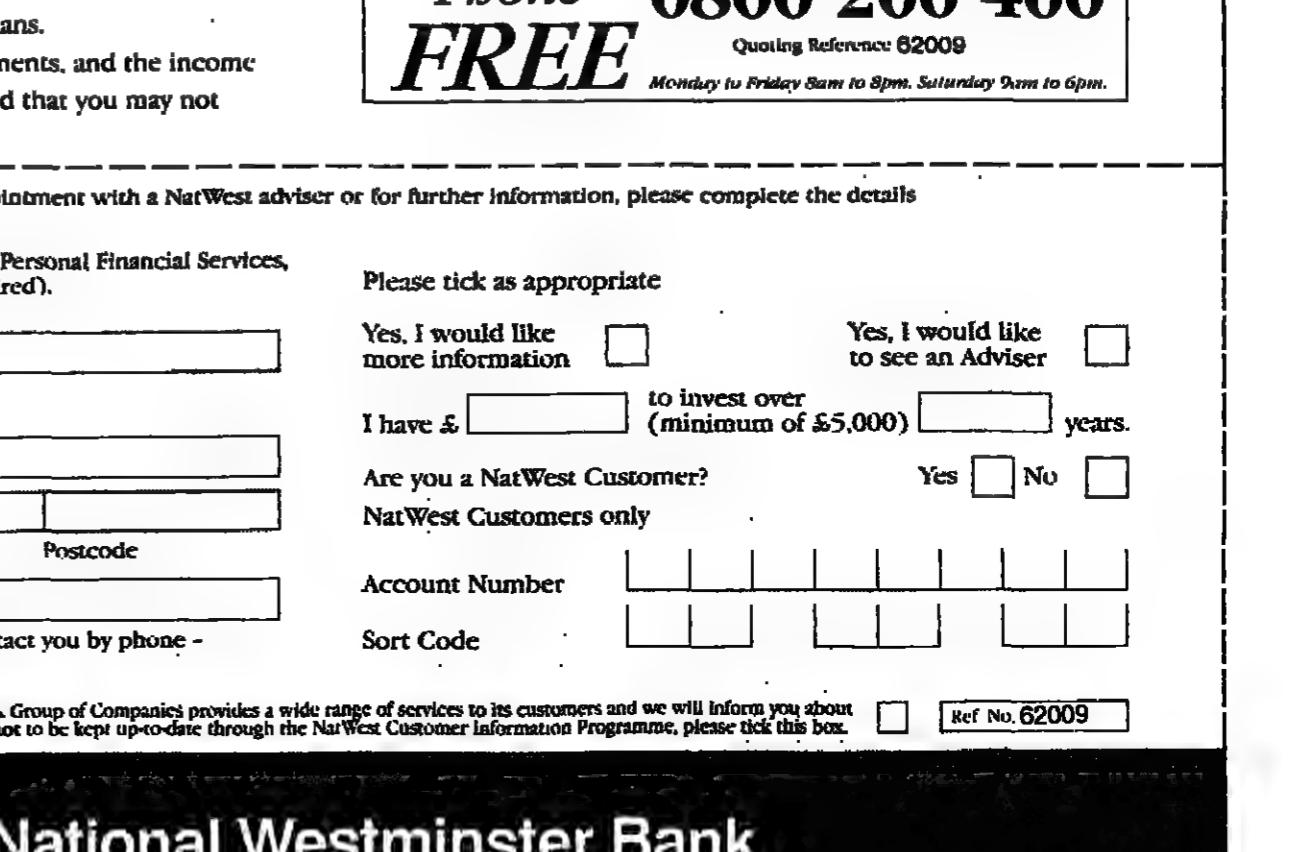
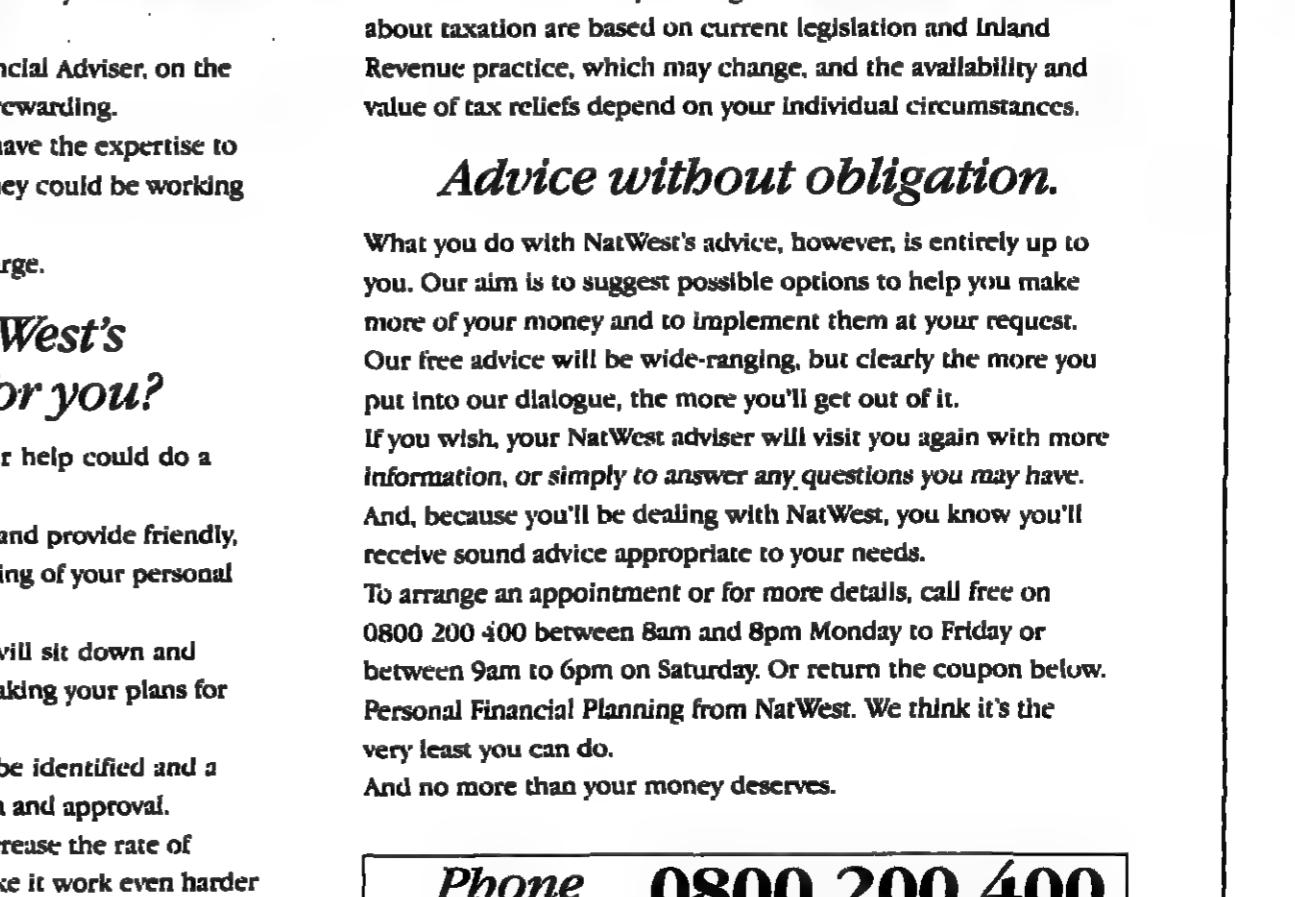
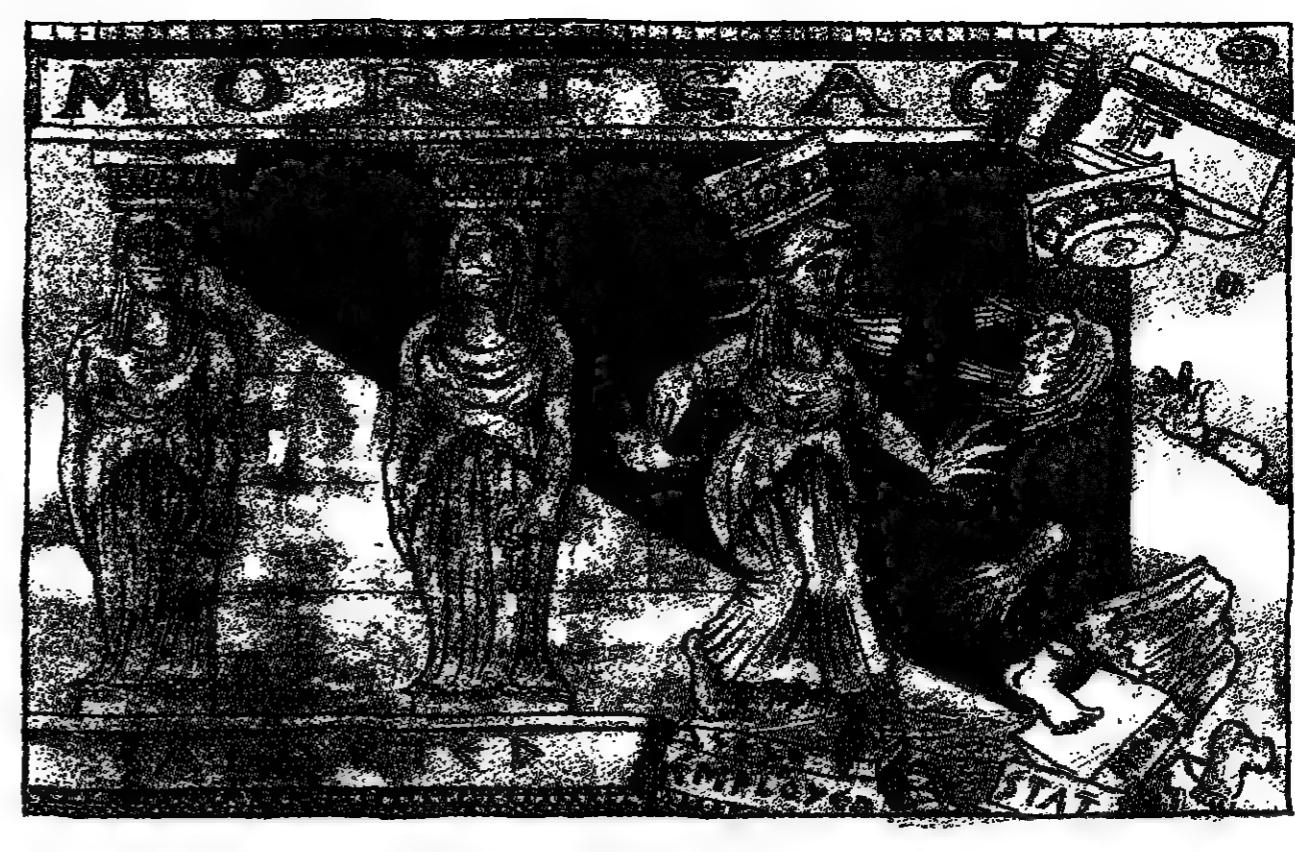
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MINDING YOUR OWN BUSINESS/PRESS REVIEW

As They Say In Europe/James Morgan

Mañana arrives: a bright Euro-dawn

THE Easter headlines read "Socialist Party in crisis meeting" and "Elections to be brought forward." The big opinion pieces were written by earnest men with titles like "Professor of Moral Aesthetics at the University of Montpellier," Spain is like other nations, but with more respect for other nations.

All I know of the country comes from the papers and history books. And the papers are as dull as are the domestic concerns of Spain these days.

Again, that is, from one glo-

rious period last year when *El País* offered a specially com-

missioned detective story to coincide with the Olympics.

One memorable episode opened with the words, "Inspector Carvalho left the Serbian javelin thrower in her delirium, singing the Internationale, and wended his way back from the hospital to the building of the International Olympic Committee."

Those unfamiliar with post-modern Catalan deconstructionism would do well to study the works of the writer Manuel Vázquez Montalbán.

That aside, Spain is the most

normal of countries. It has

thrown itself into the process

of integration with astonishing enthusiasm, its national

ism is expressed in foraging

for as much cash as Brussels

can provide.

It accepts the whole Maa-

stricht ethos and much else:

subsidiarity? Certainly not.

Federal Europe is the thing.

More power to Brussels'

elbow.

Perhaps this is because Spain spent 40 years of this century subjected to the kind of crass, introverted nationalism that dominated others for 20 at most. But then it probably spent most of the last millennium in that peculiar state.

Spain is the one European nation that has shuffled off its unsavoury past through its own efforts and, in effect, "reinvented itself."

The normalisation of Spain

means that for foreigners the dark allure of Holy Week in Seville has been overtaken by images of nihilistic self-indulgence limited only by the possibilities of a packaged fortnight: El Greco submerged by Salvador Dali.

It is not the land of Gerald Brenan's wonderful Spanish *Labyrinth*. Today *Homenaje a Catalonia* would be a publicity handout from the Barcelona Tourist Board. Hugh Thomas' *Spanish Civil War* is a magnificent history that might not be of another country. And no bad thing.

The dark side that has nearly disappeared may not be worth having, but there is something about the Europe-

'Franco's African Legion marched into battle under the slogan: Long live death and down with intelligence'

an-ness of contemporary Spain that is all wrong. "Africa," ran the cliché, "begins at the Pyrenees." That is hardly true today. The road signs are the same as the French and, although the country stretches as far west as Ireland, the time zone is that of Berlin and Warsaw.

It is 20 years since I found myself chattering to a woman in Bilbao who told me that her father had not been able to speak to anybody in his home town, Pamplona, since the day Franco landed in 1936. On hearing the news over the radio while playing cards in a local bar, he said, "That means trouble."

From that moment he ceased to exist in the eyes of his friends. They joined the *requetes*, a fanatical army of Carlists, unorthodox monarchists, who supported Franco's

cause and seemed even crazier than the African Legion which would march into battle under the slogan "Long live death and down with intelligence."

The man went to republican territory. I asked his daughter what he did then.

"Oh, he became a Liberal Democrat," she said.

"What did that mean?"

"It meant he shot everyone who wasn't."

Today, I imagine, that man and his one-time friends are reunited, the only irreconcilable differences are over the relative merits of football teams. The Spain of anarcho-syndicalism and clerical fascism has disappeared with the end of a nation that seemed to exist in a permanent *corrida*. Spain has become efficient, *mañana*, just means "tomorrow."

In Italy 500 ago there was a saying, *mi venga la morte di Spagna* - "Let my death come from Spain." It was a prayer, which, if granted, would guarantee for immortality. Today such a prayer would mean death delivered custom-wrapped by Federal Express in 24 hours together with a "genuine hand-tooled morocco leather-bound coffin and miniature stainless steel Toledo sword replicas."

The press holds few comforts for the traditionalist: the *Letter from the Editor* in *El Mundo* last Monday concerned the row in the Socialist Party and appeared under the headline, "Both sides are right." I could find only one remnant of the paper. It was in a story headed, "A source in the Ministry of Defence says that a woman is less stable than a man." Many members of the armed forces do not accept a woman as an equal "and still less would they take orders from one. Somewhere the real Spain still exists."

Nowadays "Mr Fox" as Pester is known throughout the trade, controls a company with



On show: Mike Pester, chairman and managing director of Fox's Spices, with his wares at the Ideal Home Exhibition

Long haul in the spice trade

Clive Fewins on the slow growth of Fox's and its strategy for showing its wares

SPICES bring variety to

the life of the Pester

family. When Mike Pester, now 58, bought the

loss-making Fox's spices for a

£200 25 years ago he inherited

a business that owned one aging

Renault 4 van, sold a small

range of herbs and spices, and a

turnover of just under £1m.

Fox's name is most in

the public eye at large agricultural

and other shows. Its wares can

be sniffed out by foodies at

some 50 shows, including The

Royal Show and the Ideal

Home Exhibition. Forty per

cent of sales come from shows.

The rest come from mail order,

the trade, and retail sales.

Pester decided on the show

policy in 1971. "It was simple

really," he said. "We found the

sales of spices and herbs

slumped in the summer

because people refrained from

eating heavier cooked meals

and ate salads instead. At the

time we had no product

answer."

"But by selling at low prices

direct to the public at shows

we found the supplies they

nearly 400 product lines, 1,000

retail outlets, a workforce of

33, a fleet of 17 vehicles, and a

turnover of just under £1m.

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time we had no product

answer."

"But by selling at low prices

direct to the public at shows

we found the supplies they

bought from us lasted a whole

year and our loyal customers

returned, rather than buying

at inflated prices from their

local supermarket in the

interim period."

The move into shows was

the start of a period of expansion

that has continued in

spite of the recession.

"If anything the recession

has not done us good. More people

are eating at home and using

herbs and spices to make

cheaper cuts of meat more

interesting," Pester said.

He also thinks that entry

into the European Community

in 1973 aided business.

"Food prices went up and the

English housewife was forced

to do what her continental

equivalent had been doing for

years - making cheaper meats

more interesting by the use of

herbs and spices."

At the same time there was

the large increase in the popularity

of ethnic foods - both

in restaurants and at home.

Pester supplies herbs and

spices to many of the shops

and restaurants opened by

Asian immigrants in Britain in

the last 20 years.

The expansion of the company

which is jointly controlled

by Pester, his wife Fay

and son Andrew, 31, has been

steady but unspectacular.

All this will change in May,

when Fox's moves from the

former village garage at Wilmcote, Warwickshire that has been home for the past 17 years, to a new headquarters in nearby Stratford-on-Avon.

The 12,000 sq ft former print-

works will give Fox's four

times the space it has in Wilmcote. Nearly all the extra space

will be used because Pester

plans to expand into "wet

mixes" or pastes. This will cre-

ate at least half a dozen jobs.

Wet mixes will mean raw

material arriving in huge

sacks from the spice mer-

chants which supply Fox's, but

they will also mean a big sav-

ing on the 30 or so lines that

the company buys ready mixed

from a Dutch supplier.

These lines consist of bumb-

bus, for cooking Indonesian

dishes and sambals, an Indone-

rian child relish. An old Indone-

sian friend of Pester's, John

FOOD AND DRINK

Let's go for a bite at the opera

Restaurant critic Nicholas Lander combines a night of culture with a meal on the town



Appetisers

NOW IS a good time to buy sea kale. The leaves - waxy, blue-green and coarsely toothed - are tastier when young and should be steamed and eaten with melted butter and flakes of freshly grated Parmesan or eaten raw in salads. Michael Paske grows it on his Grantham, Lincolnshire, farm following roughly the

same methods used by Victorian gardeners. The cut fresh vegetable is available by mail order until the end of July; a standard pack of 500gms costs £6.50, inclusive of post and packing. It is also available at Waitrose supermarkets at £1.45 for a pack of 135gms. Ring 0400-50449 to order.

Lucinda de la Rue

I USED to associate buckwheat only with Russia and sturgeon. Flour made from tiny, nutty buckwheat seeds and raised with yeast produces blinis which, when teamed with the roe of that fish and lots of vodka, make a memorable feast. The grain itself is also traditional with the flesh of the fish (or sometimes with salmon), together with mushrooms, onions, dill, butter and soured cream, the whole lot wrapped in a brioche parcel known generally as coulibiac.

Now, I have learned that buckwheat is also a staple food of the people of Valtellina, in

the northern fringes of Italy where the alpine peaks that rise from the valley are so snow-packed that you can sit in high summer.

The buckwheat dishes I ate there were wonderful - and very substantial. The coarsely-ground seed is mixed with

maize meal and whipped up with butter and cheese to make taragna, a splendidly rich variation on polenta. Buckwheat flour is used to make ribbon noodles called pizzoccheri. A dish of the same name - consisting of the noodles cooked and served with potatoes, cabbage, garlic, sage, butter and cheese - is marvelous, rib-sticking fare and just the ticket to revive you when you have spent the day swooping on skis or pony-trekking.

Recipes like these are too good to miss, but I shall save them until next winter. Instead, I shall make some lighter suggestions - for which you will need to buy a packet of buckwheat flour or sarraceno. You will find it sold in many health food stores as well as Italian specialist shops and delicatessens. Store it in the refrigerator when you get it home; it will keep better, and longer, than if you leave it in a kitchen cupboard.

Use small quantities of buckwheat flour to replace some of the wholewheat in bread-making. This gives loaves good, nutty flavour, agreeably light

fried or baked with garlic and butter. Add a scattering of chives or dill plus, perhaps, a few rashers of bacon on the side. Or, offer them as a generous first course for dinner teamed with sautéed chicken livers, onion marmalade and soured cream, or a fresh tomato salsa with basil.

Last, buckwheat batter without the pepper can be served for breakfast to spread with butter and honey or marmalade - a lovely change from toast or croissants.

BUCKWHEAT BATTER
(Makes 8 rounds about 4 inches in diameter)
Ingredients: 3 oz buckwheat flour; 1/4 teaspoon baking powder; a good pinch each of Maldon salt and freshly-ground black pepper; 1 oz butter, at

room temperature; 1/4 lb cottage cheese; 3 tablespoons milk beaten with 2 large eggs.

Method: Put the buckwheat flour and raising agent into the bowl of a food processor or blender. Season, add the butter, cut into dice, add the cottage cheese. Mix briefly. Pour on the liquids, adding them through the hole in the lid while the machine is running, and continue processing until the ingredients are blended to a thick, creamy batter.

Heat and lightly butter a small griddle or omelette pan. Ladle enough batter into the pan to make a 4-inch circle and cook over moderate heat until bubbles begin to show and the batter is sufficiently cooked so that you can slip a spatula under it easily.

Flip it golden side up and cook for a few seconds more until the second side is set. Then, remove it from the pan, wrap it between the folds of a napkin and slip it into a low oven to keep tender and warm while you cook the rest. Serve in any of the ways described above.

Cookery / Philippa Davenport

Nice, nutty and healthy

Buckwheat, a substantial staple, shows its lighter side



texture and an attractively-speckled look. I also like using buckwheat in batter and, particularly, shaping the batter into small cakes, like king-size drop scones.

Serve them for brunch or Sunday supper topped with similarly large mushrooms,

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TRAVEL



Two soldiers in Hanoi: it is not a communicative city

Ho-ho, Ho Chi Minh

Nicholas Woodsworth travels out-of-season to the Vietnamese capital

HANOI, for me, begins on the back of a motorcycle some 1,200 kms to the south, in the early-morning streets of Saigon.

Sitting behind Mr Ha, I have my baggage slung across my back and my heart in my throat. Mr Ha runs the tiniest of businesses from a narrow ground-floor hallway in central Saigon; he owns half-a-dozen bicycles and rents them out to tourists. But he is such a kind man that when I asked him about taxi transport to Tan Son Nhut airport for a dawn flight to Hanoi, he insisted on taking me himself.

No problem at all, he indicated with sign language and the few English words he knows; he has a motorcycle. Mr Ha's mimic of revving a motorcycle engine is not the most convincing, for he has only one arm. But his offer is so kind I take it anyway.

Does one ask for a sign-language explanation of such a misfortune in the middle of Saigon's anarchic traffic? One does not. One simply holds on and prays. But over coffee at the airport Mr Ha demonstrates how he lost his arm.

Using his stump to hold down a piece of paper, he draws row after row of stippled lines with a pen, and makes deep rumbling noises in his throat. "Me Hanoi VC, Viet Cong." He giggles, apologetically, as if the whole thing were some mild and amusing embarrassment, a fault of his own. In 1971, a 20-year-old recruit with the army of North Vietnam, he was hit by shrapnel in one of the United States' countless B-52 carpet bombings of Hanoi. It is one of the sadder introductions I have had to a city.

Not so sad are Massimo and Sandro, whom I meet aboard a Vietnamese Airlines Tupolev bound for the capital. They are Milanese freelance photo-journalists collecting stories and pictures to sell to some of Italy's more lurid colour magazines. They have just claimed an Italian scoop for their coverage of the Miss Saigon beauty contest. They are on their way

north to interview General Giap, military mastermind of colonial France's defeat in Indochina and second only to Ho Chi Minh in the pantheon of modern Vietnamese heroes.

Today Giap is an old man and no longer a central committee member but, none the less, difficult to see. How was that arranged, I ask, full of admiration. I have found even simple administrative procedures here maddeningly complicated. It was nothing, they say with only the tiniest shrug of Latin bravado, simply a short call to the ministry of information.

The countryside as we approach Hanoi reminds Massimo and Sandro of the north Italian plain in winter. In February the table-flat surface of the Red River delta is chilly, grey and wet. Fresh from the colour and sunlight, the sensual distractions of the south,

stop complaining about the food.

In the afternoon we go for a walk. For anyone arriving from the bright tropical bustle of Saigon, Hanoi in February is a dismal place, drab, down-dejected, dressed in funeral grey.

This is the season marked by what French colonists called the *crachin* - spit - and the Vietnamese in their own language more poetically refer to as "rain dust." When dry winter air sweeps southwards out of central Asia and meets humidity over the Gulf of Tonkin, a fine mist of suspended water particles descends upon the city for weeks at a time. It is cold, thin and cheerless.

Outside, I can hardly believe that north and south Vietnam are two parts of the same country. Saigon's boulevards are lively and cheerful, a singing blend of commercial bustle and outdoor social get-together.

You have to work hard to enjoy yourself in Hanoi - especially in the cheerless time of *crachin*, when there is not much to laugh about

not just a mist but the heavy hand of a Confucian-style, by-the-book bureaucracy designed not to facilitate but to inhibit. I take myself off to see Ho Chi Minh.

Since 1975, Ho has resided in a grey marble and granite building not far from Hanoi's military Citadel. He seems to be as popular in death as he was in life. Every day fleets of buses make their way past the magnificent colonial villas to deposit schoolchildren, factory workers and village peasants at the mausoleum of the man who did away with French Indochina.

No photography, no shorts, no hats on heads, no hands in pockets, no irreverence. These are the rules that govern a pilgrimage to the glass sarcophagus deep in the bowels of the mausoleum. Shuffling slowly forward in an awe-struck queue, I gaze at Ho's famous wispy beard, his bald, liver-

spotted face. He is waxy-looking.

In the past, Ho's thin, emaciated body has spent two months a year in Moscow undergoing maintenance. With Russian aid and personal cults of the past, what will happen now?

There is little contact on Hanoi's streets. Massimo, Sandro and I walk through the grey *crachin* beside the Hoan Kiem, a lake that lies in the city centre like a sheet of cold slate.

Decades of hardship, sacrifice and autocratic rule seem to have left the people of Hanoi without much joy or ability to express it. There are no smiles, no hellos, no propositions commercial, saucious or otherwise.

Hunched old men in glasses, dark raincoats and berets drift by us, the last of a colonial generation. Younger generations seem hardly more cheerful - in browns and greys and olive drabs, in khaki pith helmets and worn-out military surplus wear they go their sombre way. Hanoi's people seem no more high-spirited indoors than out. In a café so cold that its patrons wear their Russian-style hats with the ear-flaps down, we sit in dolorous silence.

Attempts at conversation bring the shortest of answers. Even the dogs here are uncommunicative. In the market of the city's old quarter we watch a woman with a large cleaver dismember a cooked, lacquered dog and set out its head as an advertisement. Massimo, still homesick, says it has the same eyes as his dog back home.

For foreigners, diplomats and for the government officials wealthy enough to use it, the VIP Club is a taste of another world. There are disco lights and strobe lights. There are sophisticated bar girls who drink Johnny Walker Black Label. There is one machine that produces clouds of vapour, another that spits out bubbles. Sandro dances, surprising

party cadres with innovative Mediterranean gusto. For a white, even Massimo chuckles up.

It is all short-lived, though.

The next morning, after a final phone call, the *crachin* bursts open. As they pack their bags, they consider the bright lights of Manila, the charms of Jakarta, the lures of Bangkok. They consider just about anywhere, in fact, that will get them on an aircraft out. I take a train to Haiphong and that much-reputed north Vietnamese wonder, Halong Bay.

The countryside around Haiphong is as poor as any I have seen in Asia. I am not even sure I am on the right continent; from the rail line you can see mud huts as miserable as any in Africa. South-east Asia's technological revolution seems to have by-passed the Red River delta.

In the port of Haiphong, I find a Moscovich communal taxi to take me on to Halong. Despite the lace curtains in the back window, it is old and rattling. Halfway there, we ground to a halt in a stretch of greasy mud. The driver crawls under the engine and bangs away. When he is finished we have everything but battery power and an ability to change out of third gear. We four passengers gather behind the car and push as fast as we can. It coughs into life and we throw ourselves in through the open doors. Ninety minutes, several villages and many startled chickens later, we arrive at Halong without having slowed down once.

"You must stay in Room 208 at the Halong Hotel," a French tour guide had drooled at me in Hanoi. "Catherine Deneuve slept there, you know, when she filmed *Indochine*."

With or without Catherine Deneuve's bed (I end up in Room 108 at the Halong Hotel 2), I find the bay superb. From the town of Bai Chay I board a tour boat in a heavy drizzle. Slowly, as we head out over calm water, the *crachin* lifts and delicate bobbing sampans appear. A few minutes later, Halong's 3,000 green and sheared-sided islands, each a miniature alp, emerge from the mist.

I am elated. This is as cheering as a chat with General Giap. I only wish Massimo and Sandro could be here. Miss Deneuve's address is one north Vietnamese address they would have enjoyed.

Worth knowing: *Hanoi's cold and foggy winter is followed by the blue skies of spring: the best time to travel in the north is between April and October.*

Independent travel is possible in Vietnam and Royal Thai Airlines, Cathay Pacific and Singapore Airlines all fly to Saigon and Hanoi from London for between £500 and £750 return airfare.

In London, visas, air travel, accommodation and car and driver can be organised by Vietnam Tourism, tel: 081-961-0117. A two-week tour, exclusive of airfare, costs about £1,000.

Practical Traveller

Smart way to fly

THE STORY two weeks ago about my magical mystery flight to Bali aboard Garuda, the hapless Indonesian state airline - we stopped four times and endured a door-to-door travelling time of 26 hours - has drawn a reply from Timothy Knight, managing director of Eastravel, writes Michael Thompson-Neal, Travel editor.

Eastravel, an air travel consultant and organiser based in Ipswich, specialises in tailor-made holidays, especially to the Far East.

Knight writes: "Whilst I fully agree with your philosophy of ensuring the most direct or non-stop flight for a long-haul journey to a single destination, those flights on quality airlines which stop en route offer the opportunity to stop over, thus getting far better value for money and a chance to break up the journey into smaller sectors."

"For example, the journey undertaken by yourself to Indonesia could have been just a one-stop flight with Singapore Airlines, which Eastravel offers as a possible choice, or up to three stops flying with Emirates (the airline of the United Arab Emirates). The stops could be selected in either direction and then combined with Singapore Airlines' (one-stop) flight in the other."

"En route to Indonesia, Emirates offers Dubai and the Emirates with a choice of adventure and superb hotels; Sri Lanka, with possibly a chauffeur-driven tour; and then Singapore."

pore, a gateway to Malaysia.

All these possibilities could be combined with an overland tour in Java ending finally (exhausted) in a Bali resort.

"Similar journeys could be organised to Japan and Korea, Australia and New Zealand, via numerous Oriental countries."

This is all quite true: the market in stop-over travel is large and growing. You can do virtually anything you want and stop anywhere you want, though you need a perspicacious travel agent to help you wade through the fine print

If you can afford the time for genuine stop-overs and mini-breaks as a way of interrupting your journey, you can get some specialist brochures, including those of the airlines. Eastravel has its own (Eastravel '79 Norwich Road, Ipswich IP1 2PR, tel: 0473-214363/210770, fax: 0473-223740).

Useful for would-be holiday libertines is *Successful Holidays*, Ami What To Do If They're Not, by Michael and Jacqueline Wellham, which serves three broad purposes. It describes the parties involved in travel, from operators and agents to travel associations. It steers you towards holiday success with pointers and advice. And it explains the varied options for winning compensation if things go wrong.

It offers numerous case histories, and describes the impact of the new EC directive on package holidays. There is a directory of addresses and telephone numbers for government offices, tourist boards, embassies, travel associations, airlines, vaccination centres, what have you. Available in some bookshops and newsagents, also from: J.A.W. Publications, Becketts Cottage, Bungay Road, Bungay, Norfolk NR15 2NG, England. Tel: 0503-498103/79.

The market in stop-over travel is growing. You can do as you please

and spot the best-value deals.

As Timothy Knight acknowledges, my whinge was about the time taken on Garuda just to get to Bali. I didn't want to stop in Paris, Abu Dhabi, Singapore and Jakarta; but I did.

If you are planning a single-destination long-haul holiday, try and get a non-stop flight. Failing that, insist on the most direct (fewest stops) flight available. You may encounter trickiness. Many airline staff use the word "direct" to imply "non-stop." I have heard them do it time after time.

Keep flying hours to the minimum. Do not patronise airlines that take you all round the houses for obscure reasons

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TRAVEL FOCUS: ITALY



Sunstruck Puglia, home of Horace

THE WORDS my schoolmaster once used when none of us knew what he meant - "Orogeny recapitulates phylogeny" - now come back to me whenever I look at a map of Puglia.

There it is: 240 miles of rugged, gorgeous, sun-struck earth, with its very own "heel" in the Gargano peninsula and its own "toe" below, in the curling tip of land from Otranto on the east to Gallipoli on the west.

"Orogeny recapitulates phylogeny. Andrews minor - give me an example."

Sir? Back then, aged 10, I was hummoxed or day-dreaming. Now I might too Puglia at him as an impertinent geographical illustration. The development of the individual (Puglia) recapitulates the development of the species (southern Italy).

And not just in appearances. Puglia in its time has been over-run by every ragged army that ever set bruising foot on Italy's larger foot. Greeks, Saracens, Normans and Spanish left calling-cards: from bits of old temple to the mini-casbahs of Bari, from Norman cathedrals (Trani) to Spanish-baroque churches. Meanwhile, the Swabians under Frederick II left a legacy of castles, notably the stupendous polygonal Castel Del Monte, resembling a giant threepenny bit on a hill.

But the largest invasion force, in Puglia as in all Italy, has been tourists. They may be more merciful here than almost anywhere else. Still my advice is: retreat from the ports and beaches, avoid "gateways to Greece" like Brindisi, and enjoy the hinterland of olive-tree-dotted plains, wandering donkeys, sleepy sunbaked villages, grape-dressed tavernas, boundless vineyards and, above all, *trulli*.

Trulli give southern Puglia its bizarre, knockout enchantment. Sometime between 2,000 and 1,000 BC - the travel books are vague - these cylindrical stone cottages with cone-shaped roofs first appeared in the area. The roofs themselves are topped with white crosses or other adornments. When the owner wants more room for himself, or his family, or his goats, or his television, he knocks down a wall and attaches another stone cylinder plus cone roof plus cross

(or star or sickle or satellite dish). Result: south-central Puglia can look like Disney-land gone delirious.

If you are hurried, Alberobello is the place to visit for a definitive eyeball. Here the white-topped *trulli* cascade down the town's main hill.

If you are unhurried - much better - get into a car and roam over the plains. Here the wacky edifices are in their natural, random habitat. You spin past the cone-homes from town to town, and southern Puglia really is worth visiting entire. In clockwise order from Alberobello these should be your major points of call:

Pollinara sul Mare. Leave the car on the edge of town;



thence the narrow medieval streets; peer over limestone cliffs into a rock-slapping sea. Then eat in the dining-room of the main hotel which looks out into a floodlit sea cavern.

Ostuni. This hill village near the coast can snow-blind the unwary passer-by. A man-made cliff of dazzling white, Ostuni is composed of rearing town-walls flush with slit-eyed houses, of higgledy churches and piggledy towers. Note the ovens spitting like volcanoes and waving tiny sage-leaves as sunder signals.

Since sun-dried tomatoes and oil-soaked vegetables are also local favourites, you will probably realise that Puglia is a bit Greek. My theory is that it snapped off from western Greece thousands of years ago and drifted aimlessly across the Adriatic. It bumped into Italy during siesta hour and started attaching itself geologically and culturally.

My schoolmaster once nodded vigorously at this theory when I put it to him. But then it was the end of term and he was hurrying to get away for his Italian holiday.

Otranto. Horace Walpole never slept here. His Gothic shocker, *The Castle of Otranto*,

came straight from his imagination. Never mind. The town boasts its own *grand guignol* character and history, including an Archbishop who was sawn in half and 300 citizens who were decapitated, both in the wake of a 1480 AD Turkish siege; and it has its own haunting beauty: a glorious Romanesque cathedral, a craggy Aragonese castle. In the old port, linger romantically to enjoy the moon over the water.

Gallipoli. Good beaches to the south.

Martina Franca. Welcome back. You are now in *trulli* country again. Wander through this Moorish-flavoured town, feel its medieval heart, and then gaze from the 14th century town walls over the cone-roofs of the distant valley.

The poet Horace, who studied his advocacy of wine and song during hours normally appointed for homework, was born in Apulia and knew what it was all about. It is the capital of the grape. It studies Italy and much of western Europe with *vino da tavola* and sometimes even adds quality to quantity. Try Castel Del Monte: a fruity red with a hint of bucolic insouciance.

Horace, if he lived today, might also sample the fish restaurants on the coast. And if the poet felt like a trip to the hills he could visit Selva di Fasano, where two majestic restaurants await. Fagiano's serves delicious goat meat and if you ask politely it will pour wild mushrooms over the regional pasta speciality, *orechiette* (little ears). Down the road is a pizzeria where the products emerge from the ovens spitting like volcanoes and waving tiny sage-leaves as sunder signals.

Since sun-dried tomatoes and oil-soaked vegetables are also local favourites, you will probably realise that Puglia is a bit Greek. My theory is that it snapped off from western Greece thousands of years ago and drifted aimlessly across the Adriatic. It bumped into Italy during siesta hour and started attaching itself geologically and culturally.

My schoolmaster once nodded vigorously at this theory when I put it to him. But then it was the end of term and he was hurrying to get away for his Italian holiday.

Nigel Andrews

To Sicily with a strawberry blonde

James Bentley is thoroughly upstaged

"WE NEED to promote Sicily," said Dr Bevacqua, "so I'm offering you and a friend two weeks' half-board there, plus a car." It was October. That evening, I told my wife the good news. "But who will pick our walnuts?" she asked. In vain I replied that this time the squirrels could have

gata, a wine named after the heroine of Lampedusa's Sicilian novel, *The Leopard*. As the citizens never fail to remind you, Guy de Maupassant once observed: "If someone should spend one day in Sicily and ask, 'What must I see?', without hesitation I should answer Taormina."

So then I rang my younger daughter, who lives in France. "She's on the next plane from Toulouse," she said. Her swift response was a bonus, for Emma-Jane is a strawberry blonde, and such hair drives Italian men into ecstasy.

"Che bella," they would cry when she was little, signalling their affection by an affectionate, excruciatingly painful pinch of her cheek. I shall never forget the sight of her chubby infant legs pounding the sand as she tried to escape from yet another adoring Italian.

Immediately on our arrival in Sicily I realised that little has changed in the psyche of the Italian male since my daughter grew up. From the start, no-one spoke to me, not even the man at the car-hire, who asked her whether she or her "grandfather" would be driving. As if I might not understand, Emma-Jane replied in Italian: "Il mio nonno guiderà."

Meanwhile, I was placing our baggage in the back seat. The car-hire attendant cautioned me. "We are close to Catania," he admonished. "A couple of youths could ride by on a motorcycle, smash your window and steal the case." So he kindly placed our luggage in the boot.

As I drove away he called out: "Be careful. They drive fast in Catania." They certainly do. The moment we arrived there we stopped, to let my nerves calm down. Fish, meat and fruit markets abound in Catania.

At the fruit stalls in little alleyways, stallholders were gingerly handling prickly pears with rubber gloves. Once you enter the inner city, the atmosphere is different, with an 18th century cathedral (it was founded seven centuries earlier), fountains and the 13th century Castello Ursino.

It was time to drive north to Taormina, where our hotel was the Villa Risi. From the balcony of our room we gazed at lazily smoking Mount Etna. I loved the hotel swimming pool and was disappointed in its food: excellently cooked, but German in style, for the hotel was filled with Germans, I prefer to eat German food in Germany, in Sicily, Sicilian food. Each evening Emma-Jane and I compensated by drinking copious quantities of Donnafuri.

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A long narrow street guarded at both ends by a fortified gateway is flanked by crumbling buildings and centres on Piazza Duomo, which is cooled by fountain dated 1635.

The little Romanesque cathedral has a superb sculpted main doorway and another one, equally fine, on the north side. Opposite rises the town hall, above Tony's bar. Boutiques display videos depicting Etna erupting, accompanied by the strains of Wagner's *Ride of the Valkyries*.

We decided to drive up the volcano. Emma-Jane collected bits of lava as presents - cheap gifts, as she put it. That evening my wife phoned. As we told her about our day, we could hear at the other end of the line the strangled sobs of one who had always wanted to climb Etna and had passed up the opportunity.

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colonists from Gela, its valley of the temples encompasses, in my view, finer buildings than Athens itself. Grooved sandstone pillars, pediments and broken columns speak of a long-dead civilisation. Under them dogs snoozed in the sun, and cats scurried where once ancient gods and goddesses were worshipped.

At Agrigento, our hotel restaurant was closed, so we went to eat complex pizzas at a pizzeria along the coast. As ever, the proprietor took to a strawberry blonde so we stayed drinking with him. The following morning he turned up at breakfast in our hotel, this time garbed as a waiter.

It was time to leave for Siracusa. I was driving gently when a Catanian (recognisable by the number-plate of his car) shot past me, screeched to a crumping halt and then drove on again. He had struck a stray sheep as it wandered on the road.

I drove cautiously past its flailing legs, while Emma-Jane urged me to stop and tend the dying beast. Usually she is stronger-willed than I am, but this time I resisted, and drove on to Siracusa, with its ramparts and a cathedral built on the site of a Greek temple.

Siracusa is a port boasting architectural riches bequeathed by the Normans, the Aragonese, the Catalans, the Greeks and the Romans. Undoubtedly its Greek theatre is the most impressive in the western world.

As a bonus, Siracusa also has a magnificent Roman amphitheatre. In the quarries that supplied the stone for these monuments are caverns in which tyrants imprisoned their enemies. One of them is an echo-chamber, where (so the guides tell you) the screams of the tortured would reverberate to terrify other unfortunates.

I had fixed a meeting with Siracusa's head of tourism. Before we arrived I was not sure whether Vittorio Gallo had intended to give us lunch, but once he spotted my assistant he instantly suggested that we eat together.

As they talked and I tucked into the fantastic fish caught off Siracusa (squids, oysters, smoked swordfish, king prawns, kippers, salmon), I congratulated myself on my foresight in arranging to be her father.

James Bentley's visit to Sicily was arranged by Dr Aldo V Bevacqua of Italia nel Mondo, 6 Palace Street, London SW1E 5HY, tel: 071-828 9171.

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MOTORING AND SPORT

Racing that's hard to beat

Stuart Marshall on how to put the fun back into driving

THE ROADS get more crowded and stressful every month, holiday weekend tailbacks are awful and driving a car really is not much fun any more. Right? Well, yes. For most of the time, motoring is something one has to do to carry on a normal business and social life. The modern motor car - refined, reliable, comfortable and safe - is easy and effortless to drive.

But fun? Surely not? And the Queen's highway is no place to have fun on. It is there to let you and me and about 2m other drivers go from A to B and back again without inconveniencing, frightening or hanging into one another.

For fun, you must get off the road. Off-road is usually taken to mean across country but it also covers private circuits. On both, you can enjoy yourself without breaking laws or putting anyone (including yourself) at risk.

Providing facilities for this kind of fun has become big business. At various sites one can first be shown how to drive a racing car and then

be allowed to have a go. Which was how I found myself in the company of about 20 other people at a wind and rain swept Brands Hatch race-track in Kent.

The Brands Hatch Racing Circuit company, Europe's largest organiser of racing instruction courses, also operates from Shettleston, near Norwich, and Outton Park in Cheshire.

After a briefing that stresses common sense and safety, candidates start by driving three laps with an instructor in a race-prepared saloon car - in my case a Ford XR2i - complete with roll cage and full harnesses.

It is not a foot-hard-down and hang-the-tail-out kind of drive. You are told to keep below 4,000 rpm. And warned that if you overdo it, you may be asked to leave the circuit.

The instructor explains basic racing technique. It boils down to doing all braking and gear-changing in a straight line on the approach to a corner. Then, with the car set up properly, you accelerate, clipping

the apex of the curve and using the full width of the track as you exit.

At this early stage of race driving training, speed takes second place to smoothness because you cannot have one without the other. "Be gentle. Coax the car, don't fight it," is the instructor's theme - and, together with the need for ceaseless concentration, the main practical road-driving benefit.

It must come as a surprise to "boy racer" candidates who had equated fast driving with a heavy foot on the accelerator and sawing at the steering wheel.

So far, the experience is not wildly different from driving a normal car on a miraculously wide and deserted road. The next stage - eight laps in a single-seat Formula First 1600 - is something else.

I inhaled my legs into the sharp end, felt around for the pedals, lowered myself into the unpaddinged seat until my full-face helmet was just poking above the body and pressed the starter.

Compared with a Formula 1 car, the Vauxhall Astra engined FF1600

is a toy, a Mickey Mouse racer. But the engine, only inches behind one's head, growls excitingly. As the car weighs next to nothing its acceleration matches a Porsche 911 Turbo's and it turns like a gazelle pursued by a hungry lion.

After a settling-down lap, I enjoyed myself. Having to use only the top two gears and strictly observe the 4,000 rpm took away none of the excitement.

Handling a tiny, twitchy single-seater on a track streaming with water is a full-time job. One's horizon is limited by the rev counter, the two mirrors barely visible through a rain-spattered visor and a pair of front tyres flinging fountains of water high in the air.

I was quite sorry to be flagged in at the end of my drive. Having squelched back to the debriefing instructor I asked him how on earth people like Nigel Mansell saw where they were going when they drove F1 cars in pouring rain at up to three times the speed I had been doing. "With great difficulty," he said. I believed him.

Most candidates come just for the fun. Many have had courses as



Brands Hatch: a weekday race-driving trial will cost £79

An initial race-driving trial at

Brands Hatch costs £79 on a weekday, £89 at weekends and a super trial (the main difference is that you get more driving) is £149 (£169 at weekends). About 15,000 people, ranging from teenagers to pensioners, have a go each year. One in four of them is female.

Most candidates come just for the fun. Many have had courses as

birthday or Christmas presents and

may never go on a circuit again. It

can,

be a hesitant step

toward a career in motor racing.

former World Champion James

Hunt drove his first single seater at

a Brands Hatch circuit.

Race driving training is not the

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(145 cm) tall so they can reach the

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Rugby Union/John Hopkins

Sevens brings home the cash

ED HAIG and David Sanderson are the two Scotsmen credited with inventing seven-a-side rugby late in the last century - the first tournament was held at Melrose in 1883. I wonder what their reaction would be to the World Cup Sevens tournament which began at Murrayfield, Edinburgh, yesterday morning and finishes tomorrow afternoon?

Perhaps it is better not to ask. On the other hand, the Scots themselves have given it an emphatic vote of approval. Tickets worth more than £1m have been sold and many more would have been sold if the rebuilding of the west stand had been finished. As it is, ground capacity is limited to 37,500.

The Sevens are brought to you by the same people who ran the full-scale World Cup in Britain in 1981 - Rugby World Cup Ltd. ITV is transmitting the tournament which will dominate Murrayfield for several hours each day. The sponsors are similar: Famous Grouse, Mitsuno, Bass Breweries and South African Airways. In subsidiary roles are Unisys; Gilbert, the ball manufacturer; Umbro, the equipment maker; Mediport, the supplier of medical equipment, and CitiBank.

The World Cup Sevens is an ambitious title for an event that might in time become as all-embracing as its name suggests but is little more than

than an upstart cousin to the real sevens tournament the Hong Kong Sevens, which was staged recently. The World Cup Sevens to that event is as marginal as is butter.

There will be similarities, one of the most likely is that southern hemisphere countries will dominate at Murrayfield as they did in Hong Kong where the semi-finalists were Fiji, Australia, Western Samoa and New Zealand.

Fiji, in particular, concentrate on sevens these days, perhaps to the detriment of their performance at the 15-a-side game. They have competed in 26 events already this year and, in Walsall Sevens, Fiji, Australia, Western Samoa and New Zealand.

The Fijians and Samoans have brought a physical edge to sevens that has turned it from a sort of high-speed touch rugby to a high-speed, highly-physical game. The final in the recent Hong Kong tournament was described by Dick Best, the England coach as one of the two most important characteristics in sevens. A substantial physical presence is just as important.

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Each player needs to be fast, most should be robust, and one or two in each team must be play-makers. These are the characteristics needed to cope with someone like Fiji's

half as enjoyable and half as good as the fuller version. At its best, it can be sublime: seven men weaving intricate patterns on a full-size pitch until one or two of them, by deft handling and quick interplay, work a man clear. Then, watch him go - sometimes, from 60 or 70 yards.

I grew up watching Ian Laing mastermind London Scottish to victory in the Middlesex Sevens in the 1960s, and then Gerald Davies dazzle his opponents with speed and footwork when he helped London Welsh dominate this event 10 years later. Those days are gone, along with pounds, shillings and pence and the three point and four-point try. No longer are speed and guile the two most important characteristics in sevens. A substantial physical presence is just as important.

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Mesake Rasari who is 6ft 8in, more than 17 stone - and a sprightly music of ball on bat.

While the World Cup Sevens provides a feast of rugby, it is an organisational nightmare: 24 teams - including many hardly known for their rugby such as Latvia, the Nether-

lands, Korea and Spain - compete in four pools of six. Minutes are vital. The semi-finals tomorrow start at 15.32 and 15.49 and the final itself at 17.16. Blink and you miss a match.

Weather permitting, the tournament will demonstrate the attraction of sevens rugby such as Latvia, the Nether-

lands, Korea and Spain - compete in four pools of six. Minutes are vital. The semi-finals tomorrow start at 15.32 and 15.49 and the final itself at 17.16. Blink and you miss a match.

Weather permitting, the tournament will demonstrate the attraction of sevens rugby such as Latvia, the Nether-

W

ELCOME

to the

new cricket sea-

son,

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hot drinks

and

music of ball on bat.

It

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Ahmed to provide an element of the unfashionable and to work in harness with off-spin-

ner Harvey Trump, backing up the

pace attack of Andy Caddick and

Mark Lathwell. I look

forward to watching Sonner-

set's double acts this summer.

At Derbyshire, much will depend on the extent to which bowlers Ian Bishop and Dominic Cork can settle into a high-powered, high-speed opening

partnership. Devon Mal-

colm is always fast, often way-

ward and usually lonely - a

true Derbyshire man. One reason Derbyshire have some

done well but never tri-

PROPERTY

Suddenly, life on the farm is attractive again

Gerald Cadogan discovers that the economic clouds over agriculture now have some silver linings

BLACK Wednesday - September 16 1992 - brought UK farmers an unexpected bonanza. Sterling's fall against the European Currency Unit (Ecu) brought them windfall gains in the "green pounds" which are paid by the European Community under the Common Agricultural Policy for farm support and premiums.

Then there was the low price of land (down 60 per cent in real terms over the past 13 years, says estate agent Savills), halved interest rates, and a realisation of just how generous were last year's changes in inheritance tax (IHT) relief for farms. Suddenly, agriculture was looking attractive again.

Farm land now costs roughly £1,000-1,500 an acre (with the best silt land up to £2,500). The farmer receives the newly-enhanced payments for what he produces and can benefit from other money-generating schemes. He might, for instance, "set aside" 15 per cent of his arable acreage and receive around £106 an acre a year, the precise amount depending on the Ecu exchange rate. (He must, however, rotate that 15 per cent and, sooner or later, will have to set aside his best land).

Among other spurs, the government's farm woodland schemes pay

well and encourage planting broad-leaved trees rather than conifers. There is even a Hedgerow Incentive Scheme which, ironically, pays £1.50-2.50 a metre for replacing hedges when, 20 years ago, farmers got grants to take them out. And the interest rate cuts - provided they are maintained for a long time - are a big help, as farmers rely on overdrafts to smooth their seasonal

surpluses.

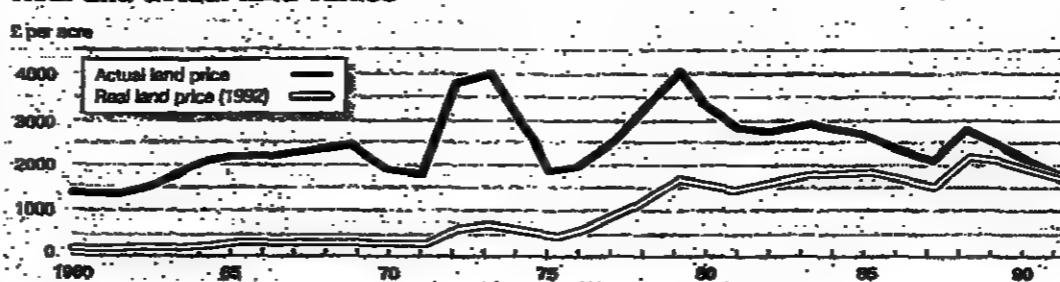
As for IHT, the 1992 Budget brought 100 per cent relief for farms in hand if they have been occupied for two years. (For tenanted farms, the relief is 50 per cent). It is hard to think of a greater stimulus, especially as using contractors to do the work still counts as farming in hand. Businessmen considering farming will welcome this arrangement. So will working farmers thinking of retirement: they can pay someone else to do the slog without IHT worries.

That there was any farm market at all last year is significant. Strutt & Parker, for instance, bought and sold 67,000 acres in 144 transactions.

The sellers had had enough of high interest rates and the struggle to

make a profit. Most of the buyers

Real and actual land values



were other farmers, often those who had pulled out of the market in the 1980s (when businessmen channeling money into farms pushed up the prices) and saw a chance to round off their holdings while land was cheap and they had some money. Indeed, farmers who have survived the past two years have done well; the Ministry of Agriculture estimates that their incomes rose 24 per cent in 1992.

Buying land still looks attractive, and prices have hardly gone up.

Why? James Laing, of Strutt & Parker, explains: "There is uncertainty ahead, including what will happen

when the green pound is re-set in July." He has just sold all but one in a portfolio of nine farms around the country for Refuge Assurance, which regards them now as non-core investments. But the green pound might not suffer that much, although the sceptical are hedging against the Ecu or selling their crops forward to lock into present rates. Nicholas Leeming, of Humberstones, points out: "The farming lobby of France and Germany are pretty vociferous. Levels will be set to suit them." That will suit UK farmers equally.

A substantial increase in land

prices is unlikely unless supply cannot match the increasing demand. And although there are potential long-term bear factors - such as a rise in Hungarian cereal production, forecast by Savills' Bertie Rose - the future looks rosier than for a long time. Laing suggests that a businessman wanting to invest should probably go for an arable acreage because it is "simpler and less risk."

Farms are available everywhere, with prices that include the farmhouse and outbuildings (although there is a shortage of large estates). And some make money from activi-

ties other than simple agriculture. Newton farm in Fife, Scotland, is one such. Close to St Andrews and Leuchars station for Edinburgh and London, and on offer from Strutt & Parker in Edinburgh, at over £500,000 for the main farm of 49 acres, four cold stores holding 50 tonnes apiece keep the produce fresh. The farm has been split into lots but the total guide price is around £580,000 from Knight Frank & Rutley.

In Powys, Wales Phillips is selling Bron-Rhydd, near Llanwrtyd Wells, for £450-500,000. It has 530 acres for sheep and cattle. In south-west England, Strutt & Parker in Exeter offers Stream farm at Broomfield, near Taunton, in one or two lots - totalling 22 mixed acres - for around £475,000. Last year, the owners opened a two-acre lake for fishing rainbow trout at a charge of £1.50 a day - which included two fish to take home.

■ Further information from: Hawkins & Harrison, Rugby (0788 560 321); Knight Frank & Rutley, Stratford-upon-Avon (0789 297 735); Charles R. Phillips, Henley-in-Arden (0564 794 831); Savills, Lincoln (0522 534 691); Strutt & Parker, Edinburgh (031 295 2500) and Exeter (0392 215 631).



Part of the gardens at Shute House... a spectacular set of ponds, canals and streams

Cadogan's Place

Shute first and worry later

SHUTE HOUSE near Shaftesbury, Dorset, is somewhere I could move at once. Mainly Georgian, it combines rural relaxation with urban sophistication and has an unusual sense of the garden coming right inside.

Step outside and you see what a garden it is - one of the greatest of the 20th century in England. Sir Geoffrey Jellicoe designed it to be an integral part of the countryside. Thanks to having the river Nadder rise there, he achieved a rare harmony by creating a spectacular set of ponds, canals and streams.

Everywhere, you hear the sound of running water. In the main water garden, designed like Mogul gardens in India, the small falls make different tones as the water runs through. The ponds reflect plantings that survive only if they delight the eye - the camellias are a joy. It is an architectural garden,

using statuary, earthenware jars and topiary in box and yew to reinforce a magical blend of man and nature. If I had £1.25m, I would call Savills (0722 320 422) right away.

■ Halkin Gate House off Belgrave Square, London SW1, is totally urban and provides a chance to peek into the life of the super-rich. Two town cottages with a grand facade have become a splendid house of impressive workmanship. A new second floor holds a huge master bedroom suite, with the shower tucked into the angle of the roof, and the basement has been dug out to take a swimming pool large enough for doing proper lengths. De Groot Collis (071 236 8090) offers the house at over £5.5m for a lease ending on Christmas Day 2050.

■ The Property Misdescriptions Act has now been in force for two weeks and already it has caused a fine stir among agents who are

rent for common gardens or tennis court) as the estate agents may ask to see them one day if you decide to sell.

■ Easter marked the start of the season for visiting stately homes. A useful guide to what is open and when - covering houses anywhere from Bantey, Co. Cork, Ireland, via Spencer House, London SW1, to the Queen's at Sandringham, Norfolk - is the *Historic House Directory 1993* (7.95) prepared by Norman Huddison of the Historic Houses Association. Its information includes advice for carriageway and coach drivers, which will help those organising groups: Sudley Castle in Gloucestershire, for instance, lays on meal vouchers, a rest room and television for drivers. The directory also lists properties where you can stay as a paying guest, those that are now hotels, and houses that can manage corporate entertaining and other special events.

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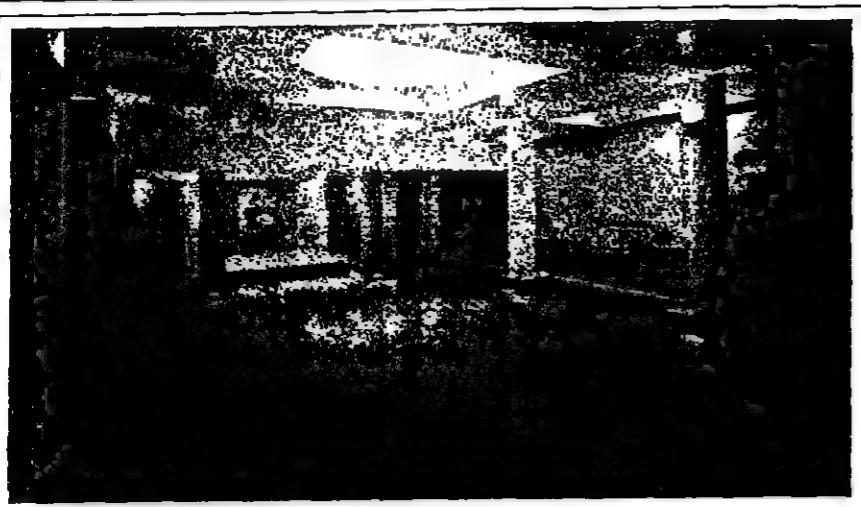
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PERSPECTIVES

AN EIGHTY-year-old man with caterpillar eyebrows, bushy moustache and a floppy felt hat, living in a candy pink and white palace in the mountains above Rio de Janeiro and speaking Portuguese with a thick French accent, Dom Pedro Gastao de Orleans e Braganca seems an unlikely threat to the Brazilian republic. But the great grandson of the country's last emperor, together with a radical right-wing recusant and a former surfer, is one of three eccentric candidates campaigning for Brazilians to vote for the restoration of the monarchy in a bizarre plebiscite on Wednesday.

Dismissed by most politicians as "maluco" or crazy, the so-called "royal option" is drawing astonishing support from Brazilians fed up with a presidential republic which has left Latin America's biggest country with the world's worst income distribution, 1,500 per cent annual inflation and rampant corruption.

Only one elected president has completed a mandate in the past 65 years, the rest opting out through suicide or resignation, dying before taking office, forced out by military coups or impeached, as in the case of the last President Fernando Collor. By contrast, the 67-year-long monarchy, cut short in 1889, is regarded as a golden era of stability and glory.

Jeepers – how about those creepers?

Stuart Marshall gets dirty, just like the settlers of old, taking the Rubicon Trail

THE WOMAN in red perched on the rocky outcrop like an overweight Lorelei. Before her, a seemingly endless line of four-wheel drive vehicles taking part in the Jeepers' Jamboree inched their way laboriously up a smooth granite slope as steep as the roof of a house.

"Jeeping," she remarked, in one of those turbocharged American voices that can be heard in the next county, "is creeping, and walking is quicker."

She was absolutely right.

The fastest way of covering the worst 15 miles of the Rubicon Trail would certainly be on foot. "Jeepers" is the generic term for people who rough-ride for pleasure in four-wheel drive vehicles that are mostly, but not exclusively, Jeeps. The Rubicon Trail is to Jeepers what Cowes is to yachtsmen or Wimbledon to tennis players. It starts at Georgetown, California, and goes east to the shore of Lake Tahoe, rising to just over 7,100 ft (2,185 m) at its highest point.

It begins innocuously because much of the 71 miles (114 kms) is on paved country roads. The going gets difficult enough for four-wheel drive to be desirable at Loon Lake, which is only eight miles - but four hours driving - from Rubicon Springs. A few hundred yards further on and four-wheel drive is essential.

The Oxford Dictionary defines a trail as "a path or track worn by the passage of persons travelling in a wild or uninhabited region". That sums it up perfectly. The region through which the Rubicon Trail passes is wild. You may spot brown bears if you are lucky, though all I saw were dozens of paw marks in the mud. It is also uninhabited and consequently quite unspoilt. Commercial logging is out of the ques-

tion. The tall pines that find living space between the granite masses grow, die and rot where they have fallen.

It was Indian country before white man first went in with pack-horses in 1844. Later, engineers dreamed of a wooden tunnel to pipe water from Lake Tahoe (altitude 6,228 ft, or 1,917 metres) to San Francisco, 200 miles (324 kms) away. It came to nothing.

When mineral water was found at Rubicon Springs in the 1860s, health freaks beat a path there. Wagon loads of timber were eventually hauled in to build a hotel which operated until the 1920s. Guests arrived first by coach-and-four and later by 10-passenger Pierce Arrow motor car.

Even though the trail was then regularly maintained, it must have been difficult to cover for pleasure in four-wheel drive vehicles that are mostly, but not exclusively, Jeeps. The Rubicon Trail is to Jeepers what Cowes is to yachtsmen or Wimbledon to tennis players. It starts at Georgetown, California, and goes east to the shore of Lake Tahoe, rising to just over 7,100 ft (2,185 m) at its highest point.

The Rubicon Trail reverted to the wild. Snow shut it from November to June and the thaw brings floods which wash down new rock piles and create fresh mudholes. Every year, the lie of the land as seen by a Jeepers' changes. When I joined the Jeepers' Jamboree and drove the Rubicon in an open Jeep Wrangler, windscreen folded on the bonnet, much of the trail was like the bed of a mountain torrent. Which, of course, in winter is what it is.

It was the 40th Anniversary Jamboree last year. More than 1,500 people from across the US had converged there, driving and riding in 500 vehicles. It is rated the most difficult American off-road event open to all comers. There are no prizes. Simply to get into Rubicon Springs, camp overnight, enjoy a

noisy and uninhibited party and get out again with the vehicle in one piece is reckoned to be reward enough.

Half a ton of New York steaks, sufficient beer to stock a large pub, a generator-powered sound system and, because this is the US, a grand piano had been shifted in, slung in nets under a helicopter. Every piece of litter that could not be burned on a huge bonfire was picked up and carted out again. Part of the Jeepers' code is to leave the wilderness as they find it.

That night, as I crawled filthy and unwashed into a pup tent, I had a thought. If the hotel had still been there, it could have made a fortune selling hot showers at whatever price it cared to name. As it was, staying dirty seemed the lesser of two evils. The only way to clean up was to clamber down to a cold, snake-infested river.

Recreational off-road driving is really the mechanised equivalent of trail riding on horseback. The Rubicon Trail is its pinnacle but at four-wheel driving's broad base, thousands of American families climb aboard their vehicles every year and head for the wilder areas of their vast country. Some go on their own, others in convoy with a few other vehicles. They take tents, sleeping bags, plenty of food and water, petrol and oil. Plus, if they are wise, essential spare parts, some tools, a jack, an axe, shovel, tow-rope and CB radio.

But is going cross country on four wheels the soft option?

Compared with hiking or mountain biking - and I saw people doing both - I suppose it is. As for riding the Rubicon, I would not have risked a half-decent horse on the harsh, boulder-strewn terrain. I could see no signs of anyone having

done so.

Driving a Jeep has to be less physically taxing than using muscle power but it certainly is not easy. A week afterwards bruises traced the seatbelt's line across my body. The technique of driving across country as rough as the worst parts of the Rubicon Trail is to do everything very slowly indeed. If you tried to go quickly, you would smash the vehicle, an ugly prospect in a remote area.

In four-wheel drive with the transmission in low range, a Jeep Wrangler's 4-litre engine has power enough at tickover to let it clamber over rocks the size of cabin trunks. If a boulder looks surmountable, you drive the Jeep's wheels over it. Never let the rock get under the vehicle. If you do, the axles ride up and you are stranded, wheels spin-

ning in the air.

It worked on the ultra-rough but basically grippy rock but would have been a recipe for disaster on the muddy hillsides European four-wheel drivers are used to.

The Jeep, I am glad to say, is well protected underneath. However carefully I drove there was the odd

crash and bang as the steel plates arming the engine and transmission came into contact with boulders. But nothing broke.

None of the 20-strong British team had any mechanical mishaps or, even more remarkably, any tyre trouble.

Four-wheel driving in wild areas

is a potentially controversial activity. In the Lake Tahoe area, the authorities and local people take a generally tolerant view. But not all approve. One of the toughest and roughest sections of the

When snows melt, torrents reshape the boulder-strewn hills of the Rubicon Trail, California. They are just motorable in Jeeps

Fishing
Mayfly make me mad

Tom Fort thinks you can have too much of a good thing

ise matters more sensibly. Why could not the mayfly be supplied little and often, rather than in one colossal binge?

A hatch of fly should be an unassuming affair. It should not blot out the sun, obscure the meadow, form a hovering cloud over the river. The fisherman does not really wish to have huge insects settling on his ears, festooning his hat, creeping across the lenses of his spectacles. Nor, if he has any sensitivity, does he care to see his favourite river transformed into the aquatic equivalent of the classic French film about gastronomic frenzy, *La Grande Bouffe*.

I am, of course, overstating my case. The scenes of abandon I have described are hardly the norm. And when they do occur, they tend to involve fisheries recently stocked with large numbers of greedy, simple-minded trout whose ingrained instincts of caution and common sense are nullified by the transfer from stream to river. There was, for instance, a day on the Test last year, when the water heaved and a discarded toenail would have brought a rise.

"If only", one exclaims irritably as one surveys the unbroken surface in early July, "if only Nature would organ-

ise to be as maddening as any other. I am thinking of the great Irish lakes, such as Corrib, where more often than not the surging hordes which attend the start of the mayfly day is transformed into despair by the time a fishless evening is reached.

I am also quite unjustifiably blackening the reputation of the insect itself. It is a lovely and fascinating creature, and I am well aware that its appearance is one of the wonders of the angler's year. Who am I to denigrate it, and the sport it inspires in these harsh times?

What, above all, quickens the heart about the mayfly season is the matter of BIG fish. It is the time par excellence when the disciplined angler can put aside thoughts of quantity and may reasonably pursue the dream of the monster. It is the time at which the five and six pounders which one has been told exist actually offer proof of the fact. It is time for putting one's self to the test.

I confess now that I have done so and I have failed. The memory of the episode is still painful, but they say that self exposure is part of the healing process, so I shall relate the tale.

There is a sidestream which leaves

the lower Kennet by some hatches and rejoins it some distance downstream. On its meandering journey it is connected to a lake, which a few years ago was home to a few, very large, wild brown trout. In the mysterious way of the mayfly, it hatched on the stream but not on the lake. So, when the hatch was at its height, the leviathan would move into the stream to feast.

I spotted one feeding beneath a tangled gorse bush. There were sucking sounds and ripples of a character calculated to promote panic and incompetence.

The luxuriance of the surrounding vegetation made normal casting impossible. On my knees, I thrust the end of my rod through the thicket, and lowered a French partridge on to the water. It travelled slowly into the monster's lair, and there was a noise like a wet kiss. I tightened, and thereafter the drama was played out at paralysing speed.

The fish went upstream, turned keeper past me, dived, broke me; and I never even got off my knees. Trembling and panting, like a mountaineer at high altitude, I stumbled away.

A little later, I bumped into the keeper and recounted the terrible story. He endeavoured to console me by telling me that he had seen this fish, or enough of it, to estimate its weight at eight pounds. He did not think it was possible to land such a creature in such a spot.

I am a few years older now, and I still have not caught a chalkstream trout half the size of the one I lost that afternoon. But the giants are still there, which is why, come the end of the month, I shall be prowling the river bank, apologising to mayfly and trout for having been so rude about them, and hoping against hope for a chance to make amends.

Brazil goes nuts for a new king

Christina Lamb meets three 'royals' as the country votes on whether to restore the monarchy



From left: Luiz de Orleans, Joao Henrique and Pedro

marry a Czech countess of non-royal lineage.

His most serious rival is his cousin, 54-year-old Dom Luiz, whom Dom Pedro describes as "a crazy fanatic who thinks going to the beach is a sin." The oldest of 12 brothers, Dom Luiz is a member of a right-wing militant group called Tradition, Family, Property, which allegedly lit candles in support of military dictatorships in the 1960s and '70s.

Although he ventures rarely from his modest apartment in Sao Paulo, Dom Luiz promises to break his vow of chastity and marry "if it is necessary to produce heirs." His eloquent lawyer brother, Dom Bernardo, who acts as his spokesman, says: "The republic has brought nothing but political chaos and economic decadence. Under the monarchy, we were a first-world country with the world's second telephone and postage systems."

He claims that monarchy would be a cheap option for Brazil, and says: "The running of [Britain's] Buckingham Palace costs only 20 per cent of Brazil's presidential palace running costs."

Were the royal option to prevail

traditional Rubicon route was out of action last year.

Militant objectors had used explosives to bring down tons of rocks and block the trail. The alternative route, though, could not have been much less testing than the original.

The Forest Service of the US Department of Agriculture insists on managing off-road driving and has authorised the use of off-highway vehicles (OHVs) only on certain listed trails, the Rubicon included.

It lays down a number of conditions which it says must be observed if the sport-cum-recreation is to have a future. This says: Tread only where motorised vehicles are permitted; Respect the rights of others to enjoy their activities undisturbed; Educate yourself on OHV rules and regulations; Avoid meadows, wildlife, livestock and private property; Drive responsibly to protect the environment and preserve opportunities to drive on public land.

It was all very different 40 years ago when Mark A Smith organised the first Jeepers' Jamboree. Then, more or less anything went. But, as the sport became more popular and numbers of vehicles increased, so did an awareness that the environment was fragile and had to be protected.

Smith stepped down as "Jeepmaster" after last year's Jamboree but says he will retire from four-wheel driving "probably when I die." Now into his late sixties, he looks as rugged as the Jeeps he loves, and good for many years of off-road driving to come.

If the participants in the 1992 Rubicon Trail Jamboree were anything to go by, Jeeping is a sport that mainly attracts the middle aged and over. Most couples in their 20s and 30s are probably too busy bringing up families to go four-wheel driving into the wild blue yonder. In any case, a wilderness is hardly the place to take young children.

But when the call to that great off-road driving course in the sky finally comes, several Jeepers have chosen to be laid to rest in the land they loved to bang and crash about.

What look like their graves (actually, it is where their ashes were scattered) can be seen at one side of the Rubicon Trail. Headgear ranging from baseball hats to Stetsons was doffed by last year's participants as they lurched by, already dreaming of this year's event.

On song at the opera houses

Continued from page I

Isaacs is forcing the pace because the decisions on temporary closure have to be made in the next three months. The plan is to re-open the modernised Covent Garden with a great gala probably of the Berlioz opera *Les Troyens*, on December 31 1993. This would involve extended summer breaks in 1996 and 1998 and a total closure from 1997, with the opera company probably confined to touring abroad or doing seasons at a venue such as London's Royal Albert Hall while the ballet company camped down in what could be London's new dance house (lottery money willing).

The favourite sites for this are the Theatre Royal, Drury Lane, or the derelict Lyceum nearby - but both would require a government hand-out almost as big as that for Covent Garden. So, the imponderables abound. As in many aspects of national life, much depends on the revenue from the lottery, which could be worth £60m a year to the arts.

After a stormy start, Isaacs seems to be getting to grips with the politics of opera. Marks will have a shorter

learning programme. He, too, must raise money - around £15m - to shore up his opera. And, in the short term, he must stamp a new, popular face on the ENO. The departure of Jonas coincided with the resignation of his two right-hand men, musical director Mark Elder and David

'Much depends on the revenue from the lottery'

Poulteny, the director of productions. This gives Marks a clean sheet - but extra responsibilities. His new music director, Sir Edward, has little experience of working in an opera house and has few productions in his conducting repertoire. Her most recent performance at the Coliseum, in *The Queen of Spades*, drew mixed reviews.

Isaacs is leaving London in a relaxed mood. He has done his bit, taking it upon himself to fight the corner for the arts - although he feels he failed to convert the government to the proposition accepted on the Continent, that a thriving, publicly-funded arts scene is essential in a civilised society. There were periods when the message seemed to be accepted but, in the past two years, the philistines have got the upper hand. Worrying about finance was the biggest concern of his job - and the reason why the ENO never performed a complete *Ring* cycle during his stewardship.

This is an obvious challenge for Marks, and one that could feature when he announces his 1993-94 programme later this month. He is planning an attention-grabbing repertoire, including an opening production of *La Bohème* in Italian, a provocative break with ENO philosophy. But all Marks' plans will be controlled by the financial imperatives. The really important ENO performance takes place on April 27 when the board meets to discuss the sudden and potentially disastrous financial short-fall. So for some time to come the dominant theme behind the programmes of both of London's opera houses will be the same: Money, Money, Money...

FASHION

Dressing for the Professions: The Country Set

Never wear your Barbour to shop at Peter Jones

Brenda Polan on the rights and wrongs of rural attire

THE BRITISH have a greater nostalgia for a vanished rural past than any other nation. Dreams of Arcadia, Mother Nature, Merrie England, images and fantasies of rustic simplicity, bucolic innocence, sylvan peace and pastoral purity pervade UK art and literature. Immersed in an overwhelmingly urban culture, Britons all crave a slice of the country.

But where once their aspirations may have focused on the artless peasant plainness of the unaffected cottage with roses round the door, in recent years their focus has shifted upwards towards the manor house of the country gentleman. They yearn to be there in the setting of the P.G. Wodehouse caper, the Agatha Christie plot, the television dynastic saga. And so well have they been able to study its ambiance, its mores, its rituals and its clothes that they feel they know just how to fit in. Indeed, funded by the new riches of the 1980s, many

tried. But many failed. And it was often their clothes that left them on the outside, peering in.

"Clothes in the country," says Ewa Lewis, the social editor of *Tatler* magazine, "are really all about suitability and practicality. It may look as if an arcane set of rules applies but, really, it is to do with the work of the countryside, the fact that life is inevitably led as much outdoors as in and, therefore, you have rough terrain and real weather to deal with."

"So, looking wrong can happen in two ways. You can wear clothes which are unsuitable because they are impractical - leather jeans, spiky high heels, fabrics you can't wash the mud off - or because they are in the wrong mood: too formal, too glossy, too city-glamorous. You can also earn the derision of the country set by wearing what they see as working gear in the town."

Nigel Hadden-Paton, born to the country, snorts in agreement: "You could always tell a yuppie by the

fact that he wore his Barbour for shopping at Peter Jones." Bumble, his wife, adds: "And by his white socks. And by his girlfriend's taste for stilettos worn with trousers - my pet hate."

Barbara Daly - who, with husband Laurence Tarlo, is a transplanted townie - says: "You instinctively go for the functional and relaxed, rotating your London wardrobe down to the country when it starts to date. The only time I have felt out of place is when I have worn a short skirt or a tight body or one of my sharp suits or something in the evening that is too sparkly, too revealing or too glam."

Nigel and Bumble Hadden-Paton live at Rossway Park in Hertfordshire, a handsome Victorian house in 1,220 acres of which 620 acres are under the plough. Nigel is reducing this every year as he returns more of it to woodland and parkland in order to extend the game crop and his hospitality events business.

A former officer in the Blues and Royals, he says: "When I left the army after 12 years and Bumble and I took over the estate, it seemed to me I had a choice. I could, at 35 and with two children, take myself off to agricultural college and learn to farm; or I could retain our farm manager, who knows exactly what he's doing, and find some way of being able to afford him."

Using the house and park for conferences and corporate entertainment - a day's shooting is very good for bonding an executive team - proved the answer.

For the landed gentry, opening their doors to outsiders is, increasingly, the best way to retain a much-loved but expensive-to-maintain family home. It exploits gently that yearning for access which the rest of us share. Nigel's strong selling line in his small brochure is Rossway's "feeling of calm and serenity which restores a sense of balance and perspective amid the pressure and hurly-burly of everyday life."

It is not just a line, though. As you enter Rossway's tied and pillarised hall with its spread-eagled tiger skin (the animal was shot by Nigel's

father in 1956), glassy-eyed stag heads and welcoming fire, you can almost hear the calls of house guests greeting each other in excited anticipation of a jolly weekend of rural sport, large meals, and many changes of clothes. It was a style of life with which the rest of the world has retrospectively and largely fallen in love.

The grand English country house style reached its apogee in Edwardian times, due in large part to the expanding railway network bringing weekend guests "down" quickly and comfortably and bearing them away again before they became boring.

It flourished through the 1920s and '30s and was maintained stalwartly through the 1950s and '60s with a smaller staff, fewer courses and warmer clothes. But it declined through the 1980s as mass entertaining became too expensive and difficult logically because of the problems of getting domestic help.

"Of course," says Bumble, "it is still nice to have a party for the weekend and we still do it, but it is much more informal these days. In the summer, for instance, we usually have supper in the kitchen. Nor do you need an elaborate wardrobe. Or, in any sense, a 'correct' wardrobe. You just don't do all that changing any longer, and country people are much less hussky-and-green wellingtons than they used to be."

"If we are dressing in the evening, it is more likely to be a half-change where the men wear a smoking jacket and tucks with velvet or needlepoint slippers, and the women can pass in almost anything as long as they look as if they have made an effort."

Running the house as a business has modified Bumble's wardrobe. "I have to have some clothes which are smart in a country way. The wonderful thing about the past few years is designers like Paul Costelloe, Mulberry and Nicole Farhi who understand the country and produce excellent clothes which are sturdy, stylish and timeless. High fashion just does not look right."



Half-change evening wear... Bumble wears a silk top by The Silk House, satin evening trousers by Paul Costelloe, low-heeled navy velvet shoes with grosgrain bow, and necklace by Nigel Milne. Nigel wears a bottle-green smoking jacket made by Mr Body at Welsh & Jeffries, Hunting Stewart tartan tucks, cream shirt from Sam Brown, and slippers made up by Trickers from bottle-green needlepoint worked by Bumble with the family device.

Nevertheless, much of her life is still nice to have a party for the weekend and we still do it, but it is much more informal these days. In the summer, for instance, we usually have supper in the kitchen. Nor do you need an elaborate wardrobe. Or, in any sense, a 'correct' wardrobe. You just don't do all that changing any longer, and country people are much less hussky-and-green wellingtons than they used to be."

Even for tying the woods! Even when dealing with the clients, I tend to wear just a slightly smarter version of my workwear. That's politeness.

"It would be ridiculous for me to climb into a tweed suit just because I might think that's what they expected. We're not running a theme park, after all."

Ewa Lewis says: "If there is a point to dressing correctly for the country, it is under-dressing. And the level of conformity required varies from county to county. If you misjudge it in Gloucestershire, Berkshire or Hampshire, it is not going to be as noticeable as it would be in Lincolnshire."

"I have noticed, too, that while town imports may ape country work-wear during the day, they make no concessions in the evening. This means, in their fashionable outfits, they tend rather to outshine the country ladies in their black velvet skirts and frilly white blouses."

"But I doubt if anybody really notices unless they have to be carried across the puddles from the Land-Rover because their shoes are non-functional. That's when you look silly."

Lewis dismisses the widely-held belief that country folk like to affect scruffiness as an aspect of a cultivated eccentricity. "The upper middle class avarice may, indeed, aim to look as bettered as possible but, although most country people's kit may be old, it is always impeccably maintained."

"The rule," says Bumble Hadden-Paton, "is no self-conscious dressing up. No waltzing around like something out of a Ralph Lauren ad. Apart from that, you dress for practicality and to look as nice as possible."



Outdoors work-wear... Bumble wears a loden jacket from Holland & Holland, a lambswool polo-neck sweater from Benetton, corduroy jodhpurs made to measure by Mr Osmer in Nicosia, long green socks from Peter Jones, and leather by Timberland. Nigel wears a tweed jacket made to measure by Douglas Davies, a sweater by Nicoll Knitwear, shirt by S.M. Bagges, trousers made to measure by Mr Osmer, wellies by Hunter, and his own waterproof.

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Those uncontrollably casual Italians are bouds for English style tailoring - particularly our more informal jackets. But what they have to search high and low for in the Vias and the Corsos, you can find in Simpson Piccadilly without moving a muscle. Do make the effort to stand erect when you try one on though. This is England after all.



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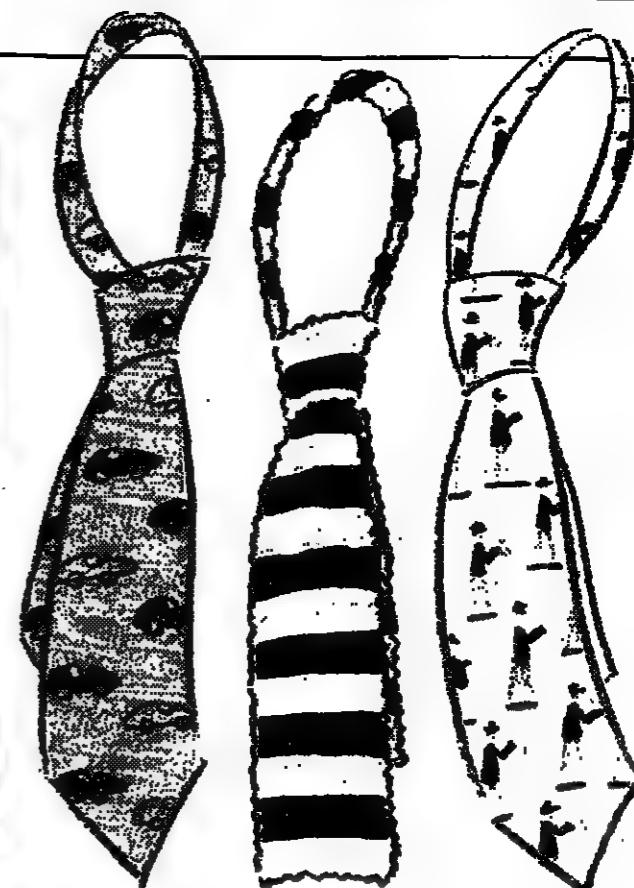


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HOW TO SPEND IT



New-age perfumes from left: Jean-Paul Gaultier, L'Eau, D'Issey and Parfum D'Eté by new-age 'noobs', photographed right: Issey Miyake, Kenzo and Jean-Paul Gaultier



Chanel... the name to whisper

OF ALL the big brand names *Chanel* is the one that has attracted the greatest hoopla. In the late 1980s no fashion groupies went anywhere without her quilted bag, with its overlapping double C motif, declaring her allegiance to a special club. No-one was in doubt over the provenance of those chain-handled handbags, braided jackets, gilt and pearl earrings and – ultimate accolade of real cult status – an awareness of factories in Hong Kong, Korea and Taiwan which churned out copies.

But what was there for the chaps? Where were the cult accessories for him? Nowhere, so far as most of us knew. But lurking quietly on the shelves, all this time, have been *Chanel*'s own versions of that ubiquitous power symbol – the motif. Every bit as well-made and desirable as other better-known labels, it has been a strangely well-kept secret. A few women who went to *Chanel* to shop for themselves noticed them and bought them. But, when it came to dies, for a man to think of *Chanel* was almost unheard of.

All that may change now that word is getting out. *Chanel* ties are recognisably in the familiar, traditional mood of the executive power-tie. Just as other purveyors of neckwear to the boardroom set have moved into motif ties, so *Chanel* has its own offerings. This summer's motifs take in old-fashioned toys, drums, racing-cars (sketched above), hot-air balloons, as well as motifs from traditional English sports such as cricket, tennis and football. New silk knitted ties (one of which is sketched here) come in plains and stripes and sport the gold chain to keep them hanging straight just like the jackets.

There are also several club stripes but no spots. Prices start at £55 for the silk motif tie and the knitted versions are £25. There are a few, luxurious, expensive accessories all with essential *Chanel* touches – washbags (sketched below, £230), wallets, credit-card holders and the like.

■ All can be found at *Chanel* shops at 26 Old Bond Street, London W1 and 31 Sloane Street, London SW3.

LvdP



Bulgari £140 for 350 ml

and soaps as well. Major stores and selected chemists and perfumeries. Jean-Paul Gaultier, £80 for 30 ml of Extract, £22.50 for 50 ml of Eau de Toilette. Available for the next four weeks at Harrods and after at selected stores and perfumeries. Bulgari's Eau Parfumée is £140 for 350 ml and is available exclusively in Bulgari's London shops at 172 New Bond Street and at Harvey Nichols, Sloane Street, London SW1. Kenzo's Parfum D'Eté is £27.50 for 7.5 ml of Extract, £32.50 for 50 ml of the Eau de Toilette Spray and there is a range of body lotions, creams, gels

17.

As for *Kenzo*'s oeuvre, it is hard to define: light but more floral than the others, it, too, has the inestimable merit of being nice and quiet and well-behaved. Not the sort that, like some of its transatlantic cousins, would knock out all other contenders in an olfactory contest.

Prices: L'Eau D'Issey, £28 for 15 ml of the Extract, £32.50 for 50 ml of the Eau de Toilette Spray and there is a range of body lotions, creams, gels

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THE SHADOW of Herbert von Karajan may have been displaced from Salzburg last summer by the explosive impact of Gérard Mortier, but it still hangs heavy over the Easter Festival. This is the private festival Karajan founded in 1967 for himself and his rich friends and admirers. Unlike the publicly-funded summer event, which had an identity before and beyond him, Karajan was the Easter Festival. Its 3,800 *föderer* (supporters) paid an annual fee of up to £200 to attend one opera performance and three concerts, after each of which the standing ovation was as precisely orchestrated as the music.

Since his death in 1989, the "Karajan pilgrims" have continued to visit Salzburg at Easter to pay their respects. There is still an air of mourning – exemplified this year by two performances of Brahms' German Requiem, preceded by a minute's silence, with no applause at the end.

But the festival is finally being forced to look to the future and its long-term survival. Without Karajan, some festival-goers decided Salzburg was no longer worth supporting. Last year, the management had a nasty spat with the new regime at the Summer Festival, on whom it depends for co-production finance and set-building facilities. A power vacuum has developed.

The Easter Festival is still a limited company controlled by Karajan's heirs – his widow Elette and their two daughters, who have shown no more than figure-head interest. The executor of the Karajan estate, the Swiss lawyer Werner Küpper, has a big say, but he is out of his depth in the arts. The festival administrator, Beate Burchard, is not a strong personality in the Mortier mould. The artistic director for the past three years, Georg Solti, is a busy international conductor, not a native of Salzburg. The same can be said of his successor, Claudio Abbado, who shared this year's conducting workload.

But there is enough support – and reserve cash – to make plans, all of which suggests this Easter may have been a watershed. Next year Abbado will conduct Herbert Wernicke's new staging of *Boris Godunov*. There is talk of *Wozzeck* in 1995 with Bryn Terfel in the title role. The rift with Mortier has been patched up and an agreement signed for co-productions until 1997.

What matters now is the extent of Abbado's interest: whether he is willing to learn new operas (*Lulu* for example) and make the Easter Festival artistically, not just legally, independent of the Summer Festival. Whatever the outcome, the Berlin Philharmonic is eager to continue its 25-year association – conveniently so for Salzburg, because the orchestra's concert expenses are covered by the Berlin Senate. The Easter Festival's overwhelmingly conservative patrons may have to modify their traditional diet of Wagner and verismo, but at least the artistic standard will be maintained.

Salzburg at Easter has undoubtedly charm. The city is less crowded than in summer, the weather more temperate, and there is just one daily performance in the early evening, which helps to work up an appetite. Audiences may be uncritical, but at least there is an air of concentration. Karajan knew what he was doing.

This year's festival was a mixed suc-



José van Dam (right) in the title role of *Faust* with Mario Luperi in the festival's new production

Easter at Salzburg is changing its tune

The Wagner-and-verismo days are numbered, says Andrew Clark

cess. In an all-Richard Strauss concert, Martha Argerich provided just the right blend of temperament and virtuosity to pull off the quirky *Europa*, while *Die Eulenspiegel* found Abbado and the orchestra in superlative form. As for Solti, his endearing mannerisms and sheer energy at the age of 80 were fascinating – he has never really mellowed. But he and the Berlin Philharmonic inhabit different musical worlds. Given anything other than extremely quiet or lyrical music, Solti just drives through, an amalgam of nervous torso jerks, attacking downbeats and wrist-slaps. The orchestra's inbred tonal warmth, by contrast, softens the edges of everything it plays.

Last Saturday's programme of Beethoven's Second Symphony and Shostakovich's Fifth provided the stylistic battleground. The orchestra's strings won out in the slow movements of each, particularly in the meditative solemnity of the Shostakovich. But Solti refused to let the Beethoven breathe, and made the Shostakovich finale too triumphantly emphatic to hint at irony.

Where orchestra and conductor did find common ground was in the Prelude and Liebestod from *Tristan und Isolde*, a perfectly-graded performance of breathtaking transience, which crowned a star-studded charity concert for Bosnia on Easter Sunday.

The Berliners sounded less at home in the pit for *Faust*, this year's new opera production. Where Verdi calls for a nimble spring-in-the-step, they offered symphonic mass and less-than-sparkling ensemble. Their Vienna counterparts, who have the opera in their repertoire, will probably make a better job when the production is revived in the summer. It was nonetheless, a *Faust* of high musical values. This was the work which introduced Solti to Salzburg in 1987, as a 34-year-old assistant to Toscanini – who had played cello in the premiere 100 years ago. Now the same age as Verdi was then, Solti paced the music with guileless ease, a master of its mercurial moods.

His cast included Luciana Serra's flirtatious Alice, Mariana Lipovsek's imposing Mrs Quickly and a delectable pair of lovers in Luca Canonici and Elizabeth Norberg-Schulz. Paolo Consalvi Ford with virile authority, while Kim Begley, Pierre Lafitte and Mario Luperi made a well-contrasted trio of come-campions. José van Dam's Faust was no buffoon, but a stubby, scruffy, cantankerous old terror, capable of scuttling a Pistol twice his size, alternately outrageous, dignified and randy. The acting was all in the voice.

The staging was by Luca Ronconi, with designs by Margherita Palli and Vera Marzot. Like so many before them, they were seduced by the monumental breadth of the Grosses Festspielhaus stage, diluting the opera's intimate atmosphere in decor of architectural vastness. Some of Ronconi's ideas were distinctly odd: the Garter I'm resembled a bottling factory; Faust was tipped into the Fords' garden fish-pond; the last scene was a nonsensical Midsummer Night's Dream, with Faust's bedroom smothered in the foliage of Henn's Oak. If this was Ronconi's idea of fun, then for once the joke was on the producer.

Shaken and stirred by serial music

David Murray applauds the 'Alternative Vienna' mini-festival on the South Bank

ON THURSDAY the South Bank began one of its trendiest and best-organized mini-festivals, under the label "Alternative Vienna". That is a fairly sexy label: it suggests something subversive of Vienna's notorious conservatism about music – something brash and populist, and perhaps a bit tacky, as many cultivated Berliners found Kurt Weill's theatre-music in the 1930s.

There is some kinship. Yet an alternative label might have captured better why Kurt Schwertsik (born 1935) and H.K. Gruber (just turned 50) should have a mini-festival built around their music: "The Viennese Alternative". Far beyond Austria, many, many composers who were shaken and/or stirred by the potent ideals of serialism, in the 1950s and after, have ever since been seeking an Alternative like a Holy Grail.

On the one hand, serialism proposed a compositional means that could be both "rigorous" and bracingly open-ended, with exciting room

for development. On the other it's toto disdain for tonality – an omnipresent power no less in popular music (meaning the music we all grow up with) than in "classical" – challenged new listeners with the test of learning the rules of an unfamiliar game. Only a few of them bothered to do that. Predictions that modern audiences would slip naturally into the right listening-mode proved over-optimistic by a very long way: between the general audience and an educated sub-set, a chasm has yawned.

It was a continuing embarrassment that the works of Alban Berg – only sometimes properly "serial" and fraught with compromised tonal echoes – remained the sole public triumph of the New Music. Composers nowadays, like their colleagues in other arts, are acutely self-conscious about theory; there have been no good theories to accommodate both serialism, with its guiding premise about the "democracy" of all 12 notes of the chromatic scale, and the bald fact that our ears hunt out tonally biased roots.

They are close colleagues, but not twins. At the start of the 1950s, when Gruber had just returned from the Vienna Boys' Choir and taken up the double-bass, Schwertsik was a committed disciple of the Darmstadt school. With Friedrich Cerha he had already founded the ensemble *die Reihe* ("the row", i.e. the Schoenberg 12-note row, and by extension any new serialist methods) – a senior Continental equivalent of the London Sinfonietta. But doubts about communicability were setting in; Schwertsik was attracted by John Cage's musical anarchism, and he also became a friend of the young Cornelius Cardew, then a frus-

tered under-labourer on Stockhausen's arcane elaborations.

While Cardew turned to writing for transparent popular appeal with a frank political message, Schwertsik published a manifesto investigating against narrow serialist dogma. He had already produced the "Violin Concerto" we heard on Thursday, really a five-piece suite of exquisitely dry, contrasted manners, all deeply quirky – weird little ensembles for accompaniments (but peculiarly tailing), abrupt silences at unexpected places, the solo role bundled briskly from foreground to background and back again; but always, a limp lyrical line.

The young Russian Sergei Stadler delivered it with all the right lusty innocence; Franz Welser-Möst drew beautifully from his London Philharmonic. It was appalling to hear them return after the interval to play Mahler's Symphony No. 9 so badly – ill-tuned, raw and rough – and to watch Welser-Möst's extravagantly windmilling achievements only a first movement that sounded like a kit of unassembled parts, middle movements of shrill crudity, and a heedlessly loud, vulgar finale. There must be more to the story; perhaps there had been some kind of calamity, and he also became a friend of the young Cornelius Cardew, then a frus-

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Fiction

Deep in the soul of the American male

WOLF
by Jim Harrison
Flamingo £4.99, 225 pages

A GOOD DAY TO DIE
by Jim Harrison
Flamingo £4.99, 176 pages

FARMER
by Jim Harrison
Flamingo £4.99, 160 pages

WARLOCK
by Jim Harrison
Flamingo £4.99, 262 pages

subtle hand, evoking the sense of quiet dread that grips many men when they reach the mid-life point of their life. This crisis is examined more riotously in *Warlock* (1981), arguably Harrison's best book and undoubtedly his funniest. It tells the story of Johnny Lundgren, also 42, who loses his cushy job and sinks into morose self-absorption, jeopardising his marriage and waistline in the process.

He snaps out of it when a local millionaire hires him to straighten out his Byzantine personal and financial affairs. Lundgren turns into a cold private eye, travelling from the wilds of Northern Michigan to the equally dangerous mansions of Palm Beach in a series of increasingly hilarious adventures. It is as wildly raunchy as *Farmer* is understated, a book of high farce and low humour.

These four books, taken together, provide a fulsome portrait of the American male's soul every bit as incisive as Updike or Roth. Harrison is a writer whose ribald humour is balanced by the map of his own tenuous existence: drinking, wandering and engaging in a series of disastrous love affairs, all the while tortured by the notion that "I don't want to live on earth but I want to live."

Though thin on plot, the book is full of humour and anger. Swanson is the sort of left-handed rebel whose excesses and screw-ups stand more as a condemnation of his diseased culture than any personal shortcoming. He is a man in the throes of a spiritual hangover, blinking awake after a decade-long binge, gasping for a glimpse of something primitive and pure to make the pain go away.

This anger becomes increasingly focused in Harrison's second novel, *A Good Day to Die* (1973). Again, the hero is a dispossessed young man whose attempts at marriage and career have fizzled out. Lack-

ing anything better to do, he teams up with a speed-addicted Vietnam vet and his redneck girlfriend in a crazed plot to blow up one of the many dams clotting America's west. "It occurred to me I should question my motives but found that I had none," the narrator confesses at one point. It is a taut, compelling story about people at war with themselves and their era, a bowl of environmental outrage clothed in a fast-paced adventure story. Finely poised between farce and tragedy, it conveys the moral vacuity of Nixon's America with a rare fervour.

A different, quieter sort of energy fuels *Farmer* (1976), the story of a 42-year-old school teacher who has reached a Frostian crossroads in his life and has to choose which path to take. Joseph has just lost his job and must decide whether to begin working his ancestral farm or flee it to live near the ocean he loves without ever having seen. To complicate matters, he is engaged in two love affairs – one with a flighty student, the other with his widowed childhood sweetheart.

Harrison establishes these conflicts with a steady and

child of Gustave Eiffel, with whom M. Valence corresponds. Ethereal and inexperienced, Suzanne yearns for the kind of romantic love her eminently rational husband is incapable of giving. Wilson, an American drifter can, so Suzanne believes, but won't. Montoya, the flamboyant local army commander, wants to be rejected.

Rupert Thomson manages some marvellous writing here, in a style well-suited to the evocative, semi-fantastical landscape he creates. But the promise he skilfully upholds through more than half the novel, is never quite realized in the end: there is more *Air* than *Fire* to the story.

The Bayeux Tapestry propels the story of Peter Benson's charming novel. Turold, a master Norman designer of imposing stature and turbulent character, is commissioned by William the Conqueror's half-brother, Bishop Odo, to create the tapestry. Reluctantly, Turold sails for England with his dumb assistant Robert, the story's narrator. The real story evolves side by side with that which the commissioned tapestry records for posterity. And it's a good one.

Elon Salmon

Shades of the past

GHOSTS
by John Banville
Secker & Warburg £14.99, 244 pages

THE MUSEUM OF LOVE
by Steve Weiner
Bloomsbury £15.99, 214 pages

ODO'S HANGING
by Peter Benson
Hodder & Stoughton £14.99, 251 pages

This is a first novel of astonishing power and accomplishment. The writing is superbly economical. Only a certain rawness of moral vision makes this novel a whisker short of being brilliant.

At the close of the 19th century, the setting for *Air and Fire*, a steamer makes its way to Santa Sofia, a remote copper-mining town in Mexico. On board is a French engineer Théophile Valence, with his beautiful young wife, Suzanne. His mission is to erect a metal church, whose 2,348 components are packed in the ship's hold. The project is the brain-

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PAUL STEVENSON - "Sea Interludes" Michael Parkes Gallery 11 Moorgate St. SW1. Tel: 071-830 300.

LEFEVRE GALLERY 30 Bruton St. W1 071-438 2107. An exhibition of paintings by GEORGINA CREECE (1897-1988) 8 April - 7 May. Mon-Fri 10-6pm.

MARLBOROUGH FINE ART LTD 1 Albemarle Street, London W1 John Davies New Sculpture Unit 30 April 1993 - 10am-5pm, Sat 10am-12.30pm, Mon-Fri 10am-5pm.

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XIII CONTEMP

BOOKS

Tinker, tailor, playwright, spy – and victim

Christopher Marlowe's double life seemed bound to lead to a sticky end. Anthony Curtis reviews three imaginative scenarios

WRITING PLAYS and spying on the enemies of your country appear to be occupations that combine happily. During the first world war Somerset Maugham, based in Switzerland, was turning out brittle marital comedies for the London stage with one hand while sending back to Whitehall secret reports on the activities of German agents in Lausanne with the other. In leading this double-life Maugham was following in the illustrious footsteps of a British playwright who appears a few paragraphs higher (above Marston and Massinger) in the theatrical dictionary Christopher Marlowe.

In Marlowe's period the threat to the security and sovereignty of England came not from Germany but from Spain. The Armada had been turned back, the King of Spain's beard well and truly singed in 1588, but that had not removed fears of a Spanish-led Catholic take-over, and these fears were exacerbated following the execution of Mary Queen of Scots by the prospect of an influx of Scottish Catholics under the banner of the new King, her son, from over the border.

No one was more concerned about this than Sir Francis Walsingham, Elizabeth's spymaster-in-chief, who stood at the centre of an intricate spider's web of intelligence activity spreading into Scotland and over the Channel into France.

Around the time of the Armada Marlowe had put himself sensationally on the theatrical map with *Tamburlaine*, parts one and two, performed by the Admiral's Men with Edward Alleyn in the title-role.

The brilliant young playwright, son of a Canterbury shoemaker, seems in retrospect like a glittering dragonfly caught in the espionage web and ultimately destroyed by it.

As were later spies, Marlowe was recruited while still an undergraduate at Cambridge University. He interrupted his degree course to go on a mission to Rheims where he infiltrated the ranks of Catholic priests disguised as Huguenot refugees on their way to England. Back in London he put the finger on those and they were summarily executed.

After *Tamburlaine* Marlowe had several more smash-hits to write – *The Jew of Malta*, *Edward II*, *Dr Faustus* – but in spite of being the

most successful dramatist of his day, the long arm of the Service refused to let him be.

Was Marlowe about to embark on some secret mission when he died suddenly as the result of a tavern brawl in the busy port of Deptford? It was a nerve-centre in those days of two-way traffic to and from the continent and it seems unlikely that Marlowe went there on a lunch date just for fun.

Speculation about the causes of his sticky end in Deptford has been rife, with dozens of books aiming to

solve the mystery. But with the 400th anniversary of Marlowe's death on May 30 1593 coming up soon, the tricke has become a torrent. Marlowe-mania is currently sweeping the bookshops and theatres.

These three novels all cover exactly the same ground, spinning yards of fluent fantasy from the few scanty facts and documents. They each come to a different solution to the problem, and so does the play on the same theme, *The School of Night*, by Peter Whelan, now at the Barbican's Pit theatre.

The salient point on which all the authors agree is that Marlowe's death was not the fortuitous event that the inquest implied. They all detect the hand of the Service as being implicated, either directly or indirectly. It was Leslie Hotson, an indefatigable American literary sleuth, who unearthed the story of the official inquest on Marlowe's death. To fuel our suspicions, it was conducted by the regular coroner but by one directly responsible to the Crown. "In the event" says Judith Cook "the official version

raised more questions than answers..."

It is the version presented in Cook's novel, *The Slicing Edge of Death* (published on May 27) that I would advise anyone new to the game to read first. It deals with all the main points in by far the clearest and most comprehensible manner while stating in an Author's note at the end exactly what is invention and what is derived from historical evidence.

Cook roots her exciting, readable novel firmly in the world of the playhouses and she highlights the rivalry between Henslowe's company, to which Marlowe was attached, and that of Richard Burbage, soon to be the Chamberlain's Men, where "the upstart crow" from Stratford was beginning to make a name for himself.

Hamlet had not yet been written. In the little scene often cut in performance where Polonius sends a pair of agents to Paris to spy on Laertes and report back to him, as well as in the characters of Rosencrantz and Guildenstern, we can see how strongly intelligence-gathering and its perils pressed upon the minds of the Elizabethans. But if the *Hamlet* we know had not yet come into existence when Marlowe

died, there may well have been an earlier version floating around by Thomas Kyd on which Shakespeare's play was based.

The unfortunate Kyd is given centre stage in *Christopher, or Tom Kyd's Revenge* by Robin Chapman. One of the few alleged facts known about him is that he had the misfortune to harbour among his papers a rough draft of a blasphemous paper by Marlowe intended for Sir Walter Raleigh's putative School of Night (a kind of Elizabethan version of the Cambridge Apostles) which was discovered by the authorities when his lodgings were raided. Kyd was arrested and after being tortured signed a confession denouncing his former friend Marlowe as an atheist.

Kyd emerges as a tragic figure with whom Chapman identifies movingly. He focuses on him in the period after his release when Kyd is attempting to rehabilitate himself and come to terms with his betrayal of his friend. This long wayward book is not for the squeamish but it is full of many fine imaginative flights concerning the principal figures in Marlowe's life: his patron Thomas Walsingham (cousin of

Francis), Baines and Poley the duplicitous false friends, Nick Skeres and Ingram Frizer, the hired thugs (the latter twisted the knife that fatal afternoon). Chapman makes it all seem very complicated in terms of these individuals' motivations. But no doubt, if we could know the truth, it was.

They all re-appear in *A Dead Man in Deptford*, Anthony Burgess, that maestro of the mother tongue, his own way of dealing with his story, as a kind of musical fugue in which certain motifs constantly recur – drunkenness, blood-letting, whoring – and this novel is a typical Burgess performance.

The homosexual side of Marlowe's relations with his patron and his performers is thoroughly exploited. Marlowe becomes a brash camp Elizabethan Gay Burlesque, strutting and preening his hour upon the stage. The nauseating stench of the stews of a London infested by Plague comes across pungently. The people of this period loved to play with words as if they were notes in music and so does Burgess. In some ways he is closer to them emotionally, but once again he has not given us an easy read.

Travellers' tales for anxious aspirants

Chloe Chard on tourism and its limitations

TOURISM, as James Buzard points out, has long been the object of supercilious sneers: an article of 1865 suggested that the new package tour organized by Thomas Cook offered "a kind of Continental experience which is to that obtained in the regular way precisely what a 'dicky' [a false shirt front] is to a shirt."

Since the beginnings of touristic travel early in the 19th century, Buzard argues in this well-documented book (sub-titled *European Tourism, Literature, 1800-1918*), there has been a tradition of "anti-tourism" which has established a sharp distinction between "those who feel enthusiasm" and those of limited sensibilities. Anti-tourists have attempted to define their own experiences of foreign countries as "authentic and unique," partly by seeking out places removed sharply from the more mundane aspects of modern life.

Travellers aspiring beyond the banalities of the "beaten track" have, nonetheless, often been troubled by an uneasy awareness that they are themselves trapped within the limitations of tourism. The final chapters, on Henry James and E.M. Forster, place particular emphasis on this discouraging realisation. Forster's writings, Buzard observes, show that those who profess spiritual affinities with foreign culture can be every bit as baneful in their effect on foreigners as more humble tourists.

In Forster's short story *The Eternal Moment*, for example,

an English female novelist returns to the alpine town of Vorta, which has become a popular resort as a result of a novel she wrote about it 20 years earlier. On her first visit, a handsome, athletic young porter made amorous advances to her – an episode she remembers with some excitement.

He now reappears as the fat, prosperous concierge of the Grand Hotel des Alpes; she realises that she herself, in bringing tourism to Vorta, is responsible for "his greasy stoutness, his big black mustache."

Even in narratives of disillusionment such as this, it could be argued that it is possible to discern traces of a more uncompromisingly romantic approach to travel. Tourism enters into conflict not only with anti-tourist fastidiousness but also with an urge to cast aside constraint, to act out transgressive desires in foreign places, and to place one's self-identity at risk.

When outlining the "romantic" attitude towards travel, Buzard cites Samuel Rogers' resolutely staid definition of a journey abroad as a safe and "innocent" outlet for potentially disruptive desires. A "Byronic model" of the lone wanderer escaping home and family also is mentioned briefly.

Byronism, however, is asso-

ciated less with wild, destabilising promptings than with a smugly self-confirmed masculine pose – linked to the fantasy of Italy as a "woman-country... yielding itself to appropriation by male imaginations from the North."

Reference back to the life and works of Byron himself, Buzard demonstrates, became an expected part of the standard ritualised itinerary of Europe: the poet's reputation as "the scandalous embodiment of an anti-British Continentalism" was modified swiftly as his writings were quoted sententiously by guide books and his travels invoked plausibly by local guides and servants.

Many sections of *The Beaten Track* are full of insight and crisp definition; the book includes, for example, a brisk survey of the role of the guide book in the early-20th century novel; and an elegant account of the "family abroad plot" in which ambitious but impressionable mothers and daughters pursue social advantage and trivial diversion in Italy.

If the reader feels, nonetheless, a bit dispirited by Buzard's emphasis on anxious aspiration, I recommend strongly the more cheerful view of tourism offered by Evelyn Waugh's *Labels*. Waugh, happily, envisages "the middle-aged widow of comfortable means" attracted by travel brochures in which "that rosy sequence of association, desert moon, pyramids, palms... all delicately point the way to sheik, rape, and harem."

Between assignments abroad, Marlowe returned periodically throughout the 1880s to photograph the people and

"ABOVE ALL, pay attention to life,"

wrote Henri Cartier-Bresson who, along with Robert Capa, was a founding member of Magnum Photos in 1947.

It has been an editor to which Peter Marlowe, the agency's president now, has subscribed faithfully; his previous work has recorded the conflict and suffering in war zones and refugee camps around the world.

Between assignments abroad, Marlowe

returned periodically throughout the 1880s to photograph the people and

buildings of Liverpool. The cumulative result is a powerful social document, *Liverpool: Looking Out to Sea*, now showing at The Photographers' Gallery in London and also published by Jonathan Cape (£35/ £20, 111 pages).

Marlowe's achievement is to penetrate the humanity behind Liverpool's media image with an admirably unsentimental style that accommodates both the artless, snapshot aesthetic of social landscape photography and

more painterly, chiaroscuro prints,

such as those of men and boys scavenging in rubbish dumps.

Never shy of the grand gesture (one of his contributions to the Hayward Gallery's Magnum retrospective three years ago showed a US soldier grieving before Washington's Vietnam war memorial, here echoed by a fan mourning the Hillsborough victims), Marlowe's emoting, luminous tones inject a measure of sympathy for a city once fat on the imperial plenty of the slave trade.

And, amid this wasteland, a river runs through it. Marlowe points constantly to the Mersey's embarrassed disconsolate presence as a metaphor for the city's decay and disuse.

Empty of the ships that brought Liverpool wealth, the only vessels to break its monotonous expense are half-full ferries and a Sunday afternoon yacht race where a white marker flag offers up a symbol of surrender.

Richard McClure

Wild times in nature's global village

"ALTARWISE BY owl light" was the line of Dylan Thomas which Robert Graves castigated as utterly meaningless. *The Moon by Whale Light* is similarly obscure, but we will allow it as a title. The author has poetry in her soul: if, on a moonlit beach in Patagonia, she is more taken by the night-time sights and sneezes of the nearby whales than the source of their illumination, it is forgivable. As so often in this book, the reader is simply writhing with envy.

The *New Yorker* is, by tradition, a sponsor of good writing (and a sponsor of poetry, too). Diane Ackerman was commissioned by its editor to write the quartet of essays which constitute this book, and the result is a curious hybrid of proper reportage, poetic intelligence and wild-life documentation. Bats in Texas and alligators in Florida, whales off Hawaii and Argentina, penguins in California and the south Atlantic: these are the ultimate subjects, but they are reached only via the means and the words – reproduced verbatim, and at length – of those naturalists for whom they are a focus of study. The author part tags along, part writhes herself into the action.

The result is a success, on two counts. First, these naturalists are people worth meeting and worth quoting. They come across as dedicated, sane, non-rhetorical and gracious. They are not planet-saving bores. Second, although

the author has done some homework on the fauna, she has not overdone it; and what impresses one most about her essays is not the aggregation of scientific knowledge (although that is there) so much as the almost child-like responsiveness she records of her own encounters.

Pathos is inevitable in some of these eyeball-to-eyeball meetings (a bat crawls around her head and gazes up at her with liquid eyes in which a

thousand truths of the rain forest were hidden"); but it is generally tempered by good sense and, above all, by an ironic sort of respect.

It is ironic because human beings do not customarily expect to learn good manners from animals. And yet, the tendency to anthropomorphise animal behaviour imports injustice to some animals. This is most apparent with the whales. Swimming alongside a serene mother and her calf, the author registers that the disposition of the whale is, in fact, rather superior to that of humankind. Mother whale keeps an eye on the visitor's movements, and could blast her away with one whim of her flipper. But, again, eye contact is made: "I knew that if I showed her where I was

and what I was and that I meant her no harm, she would return the courtesy."

The establishment of natural trust, which humans among themselves usually relegate to Utopia, is also patent with the penguins. Since they have no land predators, penguins are amiable to whoever comes to study them. In fact, penguins seem to think that if you come to study them, it is an opportunity for them to study you: check out how you feel, whether you might be good for mating with – and so on.

The literary precedents for this sort of exercise are formidable, as the author well knows. But it is saved from becoming some sort of cutesy bestiary by a steadily understated sense of urgency. Most of the people Ackerman uses as her agents for access to the animals are in the field because, if they were not, there might be nothing there.

Green polemising, as I say, is not dominant in the book. But, by implication, it is a powerful contribution to the conservation cause. Quite unheard by us, bats are often shouting very loudly to each other. Whales boom great submarine arias. Alligators have been chatting to each other for 230m years. Penguins give

cross-referencing

Nigel Spivey

WHAT more satisfying a name for an enigma than Weldon Kees, the American poet whose car was found abandoned near San Francisco's Golden Gate bridge in 1957? Was it suicide or a fain? No trace of his body was found, no satisfactory explanation offered.

A recent *Bookmark* programme set the task of discovering the truth about Kees. It tracked him through the America of his lifetime – from his mid-west, pre-Depression childhood in Beatrice, Nebraska, through his years in New York City in the 1940s (where he made documentary films; worked briefly as art critic of the *Nation*; wrote for *Time* and *Paramount Newsreel*; painted canvases that allied him with the early abstract expressionists; and wrote Brechtian songs for vaudeville) and back to San Francisco where he took up classical jazz piano and collaborated on a book about non-verbal communication, illus-

trated with his own photographs. All this apart, there was the writing: short stories (still uncollected), a novel (published in the US two years ago), and the poems now available in Britain for the first time.

What sort of a man was he?

A meteorite, by all accounts; a man of intense, feverish activity. A chain-smoking poser; a country boy turned city slicker (if the photographs are to be believed). "He lived in a permanent and hopeless apocalypse," said Kenneth Rexroth, godfather of the Beats, who knew him towards the end of his life. (That apocalypse was, of course, sustained by drugs and alcohol).

He was a man of narrow and profound vision whose poetry, prose, and style displays a kind of bemused bitterness; a strange, obsessive, riddling analysis of the heart's paralysis. From time to time, it has the desolation of an Edward

Lear: "A white-faced man with sad, enormous eyes." The light in the poems usually is bleached, wan, colourless. Nothing is healed, nothing shaven. Kees returns empty-handed from the search for life's meaning.

Although he lived 1,000 miles or more from the respectability of his family, Kees, an only child, used to send home news cuttings on his "successes" as a poet, film-maker, etc. Did his mother understand? When, two days after his disappearance, the dusty, frosty couple appeared in San Francisco and were taken to the bridge, his mother looked down at the water, disbelief.

By the late 1960s, having

passed through the political turbulence of that decade, there is no such thing as inner and outer any more – everything is political. The old language is the language of the oppressor and it must be wrested from his grasp.

Like the four rivers leading away from Paradise, if there are four grand-daddy cults and fashions which spawned the best, then Hip Hop, the Beats, Existentialism, and the hula hoop appear to have a lot to answer for. Indeed, we learn that the hula hoop looks forward to aerobics and back to the Maori war dance.

"Only connect," E.M. Forster once suggested as a means of comprehending modern society. Reading this self-styled "definitive" guide to modern culture, he might rather have wished he hadn't.

Mark Archer

Crazy, man – crazy

FADS, FASHIONS AND CULTS

by Tony Thorne

Bloomsbury £20, 310 pages

again, which dissident hair-style came first: the Duck's Arse or the Argentine Ducktail? Replies on a postcard to the author, who says he wants his readers to answer back.

Some lines of enquiry lead nowhere. Tramping, or drilling a hole in the skull to release higher levels of con-

sciousness, seems to have begat only publicity for Dr Bert Haugens, a Dutch mystic who tried it in 1982. Forest Therapy begat Tree Sniffing but little else. True, contemplating a tree at close quarters while inhaling the resinous fumes given off by its bark and leaves might, as our author speculates doggedly, have something to do with the "outdoor Shamanistic rituals of the Men's Movement." But by the time he has thrown in the Combat Games cult to boot, the reader has got his

Chad 511 10/5/93

TELEVISION

BBC1

7.00 Celest Page, 7.25 News, 7.30 Penny Crayon. 7.45 Mts Gang, 7.55 '91 Bits, 8.15 Eggs 'n' Bakes. 8.45 Tom and Jerry: Greatest Hits, 9.00 Going Live! The first episode of the sick, well-intentioned and dull children's magazine.

12.12 Weather.

12.15 Grandstand. Introduced by Steve Rider, including at 12.20 Football: A review of the Easter soccer action. 12.50 London Marathon Preview. 1.00 News, 1.05 Snooker: World Championship. The first of 17 days' action from The Crucible, Sheffield. 1.15 Snooker: World Cup. Live coverage from The Crucible, Sheffield. 2.05 BBC Sports' Children's Stakes. 2.05 Gymnastics: World Championships from Birmingham. The men's floor final, 2.25 Racing: The 2.30 Lanes End John Porter EBC Stakes. 2.35 Gymnastics, 2.55 Racing: The 3.00 Singer and Freddie Green: 3.05 Gymnastics: Continued coverage. 3.25 Racing: The 3.30 Snooker: Spring Handicap. 3.35 Snooker, 3.55 Gymnastics, 4.25 Snooker. 4.40 Final Score.

5.15 News.

5.25 Regional News and Sport.

5.30 Cartoon.

5.40 Jim'll Fix It.

6.15 Tom Rong, Milord! Lord Melodium pays the price for his misleading ways when the jester Sir Ralph puts a curse on him. Can Stokes come to the rescue?

7.05 Film: Wings of the Apache. Premiere. Nicolas Cage stars as an ace helicopter pilot training a group of raw recruits to combat drug barons in Latin America (1980).

8.25 Birds of a Feather. Tracey is about to wed when Sharon starts going out with a man old enough to be her father. Pauline Quirke and Linda Robson star.

8.35 News and Sport: Weather.

9.15 Westbeach. Alan Cromer and Sarah Preston have different ideas about developing the site of a bankrupt holiday camp. Hannah is delighted when Simon returns from university.

10.05 Wogan Meets Billy Crystal. An interview with the Hollywood actor and comedian.

10.40 Match of the Day. Highlights from two FA Premier League games.

11.40 Film: The City of the Dead. A Massachusetts town is haunted by the vengeful spirit of a woman burnt at the stake as a witch. Starts slowly but the horror builds. Starring Christopher Lee (1980).

12.15 Weather.

1.00 Close.

BBC2

6.40 Open University.

8.00 Film: Pet and Mike. Light-weight comedy vehicle for two its heavy-weight stars: Katharine Hepburn as a golf professional and Tracey as a sports promoter with guest appearances from a string of forgotten sports celebrities (1952).

4.30 Snooker: World Championship. Stephen Hendry v Barry Hearn. Jimmy White v Joe Swail. Live coverage from The Crucible, Sheffield. As last year's finalists, Hendry and White, begin their campaigns.

6.50 News and Sport: Weather.

7.05 Late Again. Highlights from last week's editions of The Late Show.

7.35 Snooker: World Championship. Hendry v Hearn. Willie Thorne v Shaun Melfi. David Vine introduces further coverage from The Crucible, Sheffield, and gives viewers a chance to enter a daily phone-in competition.

8.35 Have I Got News for You. Repeat of Friday's first episode of the new series of the award-winning quiz. Ian Hislop and Paul Merton and guests Jonathan Ross and Peter Cook test the liberal laws and the boundaries of good taste.

8.55 Arena. The first of four programmes telling the stories behind famous pop songs. Peggy Sue Garrow Rockham was a schoolmate of Buddy Holly, the Shirelles, Teena and the subject of his most popular song, when she married his drummer Jerry Allison, its follow-up, Peggy Sue Got Married. She now runs a drainage company in California. As a bonus there is her childhood neighbour Donna Fox. Inspiration of Richie Valens' hit Donna.

9.25 The Second Heimat: A New Generation. New series. Edgar Reitz's follows his epic drama, Heimat with another series of 13 90-minute films on life in Germany. Beginning in the 1960s, it follows Maria Simon's son, Hermann, as he leaves the village of Scheibbach for university in Munich, dreams of success as a composer. Henry Arnold stars (English subtitles).

11.30 Snooker: World Championship. Highlights from today's matches at The Crucible, Sheffield.

1.00 Close.

SATURDAY

LWT

8.00 GMTV. 8.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Speakeasy.

1.00 ITN News: Weather.

1.15 European Champions' League Special. The ITV sports department has been stricken with preview-mania. A look ahead to Rangers v CSKA Moscow, a profile of AC Milan and a preview of tomorrow's Coca Cola Cup final between Arsenal and Sheffield Wednesday.

1.40 Rugby World Cup Sevens. An orgy of qualifying matches as the mini-nos - Latvia, South Korea, Wales - try to pull off early an upset. Live coverage from Murrayfield and highlights of the matches played on Friday.

4.40 ITN News and Sport: Weather.

5.00 London Tonight and Sport: Weather.

5.10 Cartoon Time.

5.20 Film: Diamonds Are Forever. Sean Connery returned briefly to add zest to the well-timed formula (1971).

7.30 You've Been Framed. Another compilation of embarrassing home videos.

8.00 The Bill. The Sun Hill coppers continue their on-the-beat investigations in a new Saturday-night slot.

8.30 London's Burning. Re-run of the firefighter drama series. The arrival of a new chief officer threatens to distract commissioners at Blue Watch. On a personal front, Jessie antibiotic waits to hear news about her promotion, and Vaseline faces the problems of her new job.

9.30 Film: Blind Witness. Routine TV thriller starring Victoria Principal as a blind woman who vengefully revenges on the men who broke into her home and murdered her husband (1989).

11.10 ITN News: Weather.

11.30 London Weather.

11.30 The Big Fight. John Devlin v Rubin Patico for the WBO featherweight title. Gary Newbon presents coverage from Washington in Tyne-and-Wear. Commentary by Reg Gutteridge.

12.15 Rugby World Cup Sevens.

1.15 The Big E.

2.15 Get Stuffed; ITN News Headlines.

2.20 Basketball.

2.20 Get Stuffed; ITN News Headlines.

3.20 New Music.

4.25 BPM: Night Shift.

CHANNEL 4

6.00 Early Morning. 10.00 Trans World Sport. 11.00 Gazzetta Football Italia including the thoughts of Cesare Signori. 12.00 Sign On: Your Views. 12.30 pm Ring Rung.

1.00 Film: Lady Godiva Rides Again. Pauline Strudwick plays a naive girl chosen to portray Lady Godiva in a town pageant. A disappointing English comedy in spite of the strong cast. With Dennis Price and Alan Alda (1961).

2.45 Racing from Ayr. Coverage of the 2.55 Albert Bartlett and Sons Future Champions Novices' Hurdle, 3.25 Edinburgh Woollen Mills' Future Champions Novices' Chase, 4.05 Sefton Cup National (Hcp chase), 4.40 Harrods Scottish Juvenile Stakes Championship Final (Hcp hurdle).

5.05 Brookside: News.

6.30 Right to Reply: Viewers' reports and ideas about television.

7.00 Corner of the Eye. Belfast poet Michael Longley takes about Carrickfergus, a remote corner of western County Mayo, which provides much of the inspiration for his work. This documentary contrasts his two different worlds and explores the use of natural imagery.

8.00 Adventures. Preston King, professor of politics at Lancaster University, travels to Guyana to track down the "pot-knocking", or legendary gold and diamond prospectors in the jungle. He meets Uncle John, known as the diamond king, and sets off to find treasure hunters Richard and Curran in the outback.

9.00 The Beldioboecks Affair. While Jill's political campaign gathers momentum, Trevor finds the records he's been looking for. But who is the mysterious supergrass? Previously shown on TV.

10.00 Film: Hidden Agenda. Rescheduled screening of Ken Loach's well-made and provocative political thriller about an English CID inspector who goes to Northern Ireland to investigate the murder of an American lawyer and uncovers a conspiracy. Starring: Stars Brian Cox and Brad Dourif (1990).

12.00 Talking Pictures.

12.30 Evening Shade.

1.05 The Harp in the South.

2.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

Aberdeen: 12.30 Movies, Movies, Movies. 1.05 Angie News.

Bordent: 12.30 Movies, Movies, Movies. 1.05 Border News.

Cardiff: 12.30 Movies, Movies, Movies. 1.05 Sports Results.

Central: 12.30 Movies, Movies, Movies. 1.05 Central News.

Exeter: 12.30 Movies, Movies, Movies. 1.05 Devon and Cornwall News.

Glasgow: 12.30 Movies, Movies, Movies. 1.05 Scottish News.

Grampian: 12.30 Movies, Movies, Movies. 1.05 Grampian News.

Limerick: 12.30 Movies, Movies, Movies. 1.05 Limerick Weather.

Newcastle: 12.30 Movies, Movies, Movies. 1.05 Newcastle News.

Nottingham: 12.30 Movies, Movies, Movies. 1.05 Nottingham News.

Northern Ireland: 12.30 Movies, Movies, Movies. 1.05 Northern Ireland News.

Southampton: 12.30 Movies, Movies, Movies. 1.05 Southampton News.

South Wales: 12.30 Movies, Movies, Movies. 1.05 South Wales News.

Southampton: 12.30 Movies, Movies, Movies. 1.05 Southampton News.

Southampton: 12.30 Movies, Movies, Movies. 1



ON WEDNESDAY the US special envoy Robert Bartholomew, met the former psychiatrist, and practising war criminal, Dr Radovan Karadzic. Dr Karadzic is more commonly referred to as "the leader of the Bosnian Serbs".

After his meeting Bartholomew proclaimed: "What we are saying to them very clearly - and by we, I mean the international community - is that the military and humanitarian horrors have to stop now." This is a fascinating sentence and deserves parsing.

What is meant by "very clearly"? Bartholomew was speaking in the context of Lady Thatcher's call on British and US television for immediate action against the Serbs

Clear case of humanitarian horrors

While diplomats and leader writers talk rubbish, women and children die says Dominic Lawson

to stop their massacre of Bosnian Muslims. Yet on the same day as Bartholomew made his position "clear", his boss, the US secretary of state, Warren Christopher Said: "Thatcher's prescription is one for only increasing the carnage... a rather emotional response."

So it is "clear" that the US, in spite of Bartholomew's brave words in Belgrade, is absolutely against providing or encouraging any military impediment to the Serbian bombardment of Bosnian civilians. The US, in fact, is interested in Bosnia only in so far as it affects relations with Russia, and since Russia sympathises with the Serbian view-

point, the State Department will not jeopardise Bill Clinton's buddy-buddy relationship with Boris Yeltsin, merely for the sake of a few million measly Muslims.

But Bartholomew claimed that by "we" he did not mean the US.

He said "we" meant "the international community." This phrase should be consigned to the dustbin of diplomacy. It occurs about four times in every newspaper leading article on Bosnia. It is constantly on the lips of Douglas Hurd and Malcolm Rifkind, when they seek moral authority for their policy of giving the besieged Bosnians butter before guns.

What, actually, is the "international community", for whom Bartholomew, Christopher, Hurd, Rifkind et al, claim to speak? Who are the members of this club? Can anyone join? Does it consist of the entire membership of the UN?

Well, no. By common usage it does not include Libya or Iran. But does it include India? Is Chad "saying clearly" to Dr Karadzic "stop these humanitarian and military horrors now." I think the good people of Chad and their leaders know little of the troubles of the Bosnian Muslims and care even less.

Does "international community" mean just the security council of

the UN? Well, no again, unless the UN envoy to Bosnia thinks that in his strictures to Dr Karadzic he is speaking on behalf of China's billions, but not for the Japanese population, disenfranchised from the great honour of membership of the UN security council. And what of South Africa? It used not to be part of "the international community".

Now, perhaps, it has country membership of this club.

Perhaps, when Bartholomew refers to international community, he means only those who regularly and reliably support the actions and utterances of the government of the US. That is quite a

good working definition, particularly for Hurd and Rifkind. It means they - we - are quids in.

Back to parsing the US envoy's pregnant little sentence: what on earth does he mean by "humanitarian horrors"? Human horror I understand, but not this polysyllabic refinement. He surely does not mean horrors in the name of South Africa? It used not to be part of "the international community".

Now, perhaps, it has country membership of this club.

Perhaps, when Bartholomew refers to international community, he means only those who regularly and reliably support the actions and utterances of the government of the US. That is quite a

good working definition, particularly for Hurd and Rifkind. It means they - we - are quids in.

The Muslim soldiers, will of course, escape Srebrenica in this war as the civilians who perish in the name of "humanitarianism" we leave these people to their fate.

Hurd argues that to increase the Bosnians arms, would "increase the quantity of fighting". Indeed it would, just as when President Franklin Delano Roosevelt in 1940 increased "the quantity" of fighting in Europe: we were willing to fight more in the short term, in order to promote a just settlement for the long term. Unfortunately, the US is not now led by a man of the calibre of Roosevelt. As for Britain, Lady Thatcher is absolutely right: we should be ashamed of ourselves.

■ Dominic Lawson is editor of *The Spectator*.



Private View/Christian Tyler

The accountant who plays in the big league

Rick Parry, Premier League supremo, has created scoring chances. But will he get to kick the ball?

EVERYTHING is run by accountants these days, even English football. Was that really appropriate, I asked Rick Parry, chief executive of the Premier League, as its first season dribbles to a close.

"What can I say but 'Yes'?", he replied, adding hastily: "I don't really see myself as an accountant so much as somebody who is making use of the ball for example."

With his big briefcase, little moustache and gently receding hairline Rick Parry, not yet 40, might pass for a successful computer salesman from Slough. His manner is brisk but bland. He employs the language of Briefcase Man ("at the end of the day" is a favourite phrase) but, to be fair, not once in two hours did he refer to The Bottom Line.

You call football "the product", I observed.

"I slip into it from time to time. I actually don't see it as a product because that's a gross oversimplification. To describe fans as customers is certainly unduly patronising.

"Nevertheless, there are cer-

tain basic lessons which need to be learned. Considering football has, or should have, a much more special relationship with its fans than any other business has with its customers it's remarkable how little football bothers to talk to its customers - far less than Sainsbury's or Marks & Spencer would, for example."

Isn't it odd to use an industry or product model for what is after all a game? Don't you represent the ultimate commercialisation of the sport?

"Not at all. I'm a fan at heart." He might have added that he was a good enough goalkeeper in his youth to be auditioned by Liverpool and Everton.

"Of course it's a sport, but that's too facile. At the end of the day it's a sport which pays participants huge wages. Clubs have to be run as businesses.

They have to find about £250m to upgrade their stadia to comply with the Taylor Report (on

ground safety). It's much more than just a game - always was ever since it became professional. Two Premier League clubs are quoted separately." (At mid-week Manchester United stock were above 450p, last year's high; Tottenham Hotspur stood at 92p, near its low.)

"I'm a football fan through and through. I happen to have gained hopefully useful and relevant business experience. I'm not seen as a football person by insiders still, but I don't see myself as sort of grey businessman being brought in to become the sort of unacceptably face of football."

Nobody seems to know much about Rick Parry. Even his secretary could not think what to buy him for Christmas. He would be the first to admit he does not stand out in a crowd and, in a game of having risen without trace, yet the boy has come good: he's made the space, created the chances - a

record £304m TV deal with BSkyB and BBC, a record £21m sponsorship from Bass - and he has dodged some heavy tackles from the hard men among the 22 club chairmen who make up the Premier League board.

The chief executive sat on a bar stool drinking Coke and shovelling peanuts into his mouth. He nodded to Graham Taylor, the England manager, as he passed through the hotel lobby. He took a call from the Premier League's non-executive chairman, Sir John Quinton, former chairman of Barclays Bank.

What interests you apart from football, I asked him.

"Nothing at the moment."

People say you are a closed book.

"Who says?"

The phrase is mine, I replied, but it's the impression you give. Yet you seem approachable enough.

"I am, if anyone bothers to

approach me. The thing that gets up my nose with certain members of your profession is that I get patronising comments about what I'm attempting to do from people who've never met me.

"I don't go shouting from the rooftops. I'm not flamboyant, I'm not looking to make a name for myself. That's not my style. But I wouldn't say I was a closed book."

You don't go rock-climbing or potholing or breed Vietnamese pot-bellied pigs? What about stamp-collecting - or train-spotting? I added unkindly.

Parry did not flinch. "I don't really have a lot of time to climb mountains. I used to do a lot of windsurfing. I used to sail. I used to play a lot of football. I like going to the theatre when we get the chance. I'm very family-centred really."

He lives near Chester with his wife Kate, who has no interest in football, and their sons James (10) and Tom (8), both keen players, on a salary of £20,000 plus car. They are buying a new house about 300

could employ it. After 7, Be2, white continues with Nc3, Be3 and d4. It is important to castle early. John, it is true that white's queen pawn is isolated on d4, but as Nigel has just told us, there is more than adequate compensation for this in the general deployment of pieces."

"Absolutely right," said Nigel, "absolutely brilliant."

"I have to confess," said the prime minister, "that I am more than somewhat confused. I do not like gambits. In politics, you know, it pays to keep things simple, even to play a dead bat, to get up on a soapbox and not try to film-flam. That is how I won the election, you know. I avoided all gambits."

The Queen said: "How simple life must be for you. In No 10 Downing Street. One wishes one were so fortunate. In any case, John, even sharper than the Scotch gambit, in which 4... dxe3 is met by 5, Bc1 - and off we jolly well go."

Then we played some games. And then we chatted sociably. The Queen asked Nigel if he would have to pay much income tax if he beat the barbarian Kasparov.

"I hope not," said Nigel. "I've got a really brilliant accountant."

"So does oneself," said the Queen. "It did not, in fact, help one."

Queen sweeps the board

Michael Thompson-Noel

I HAVEN'T mentioned this before, but I and two friends have embarked on a series of chess lessons so as to prepare ourselves mentally for the Nigel Short-Garry Kasparov world title chess match in London in September.

The two friends are John Major, who is prime minister of Britain, and Queen Elizabeth II, who is head of the House of Windsor and not as glum as she's painted, in fact is rather fun.

We meet in great secrecy - no, not at Buckingham Palace - and our lessons last two hours. The reason for the secrecy is that our chess teacher is Nigel Short himself, the 27-year-old prodigy-genius-Dalek who will become Britain's first world chess champion (and earn a great fortune) if he beats the barbarian Kasparov.

We had a lesson yesterday. "Remember," said Nigel, "that chess is hard physically and mentally. Grappling with your opponent's psyche can be mentally very bruising. And don't think of it as intellectual. I mean, I'm not even clever, couldn't mend a fuse. Nor does it run in families. Heredity doesn't come into it. Top-class players come

HAWKS & HANDSAWS

from a variety of backgrounds - I used to be working class. But never in chess history have they been fathered or mothered by first-rate parents. In chess terms, I mean."

"How extremely fascinating," said the Queen. "It is just the same with racehorses. Or even with actual dynasties.

Top-class racehorses, such as winners

of the Derby, almost never produce

progeny that match their own exploits.

One simply does not hear of it. As for actual

dynasties, well there's a

sorry tale."

The Queen chimed with

laughter, like a pink

porcelain bell. "Most

royal children set forth

with all life's advantages,

but fritter them away.

They fall into unsavoury com-

pany. Develop a taste for the theatre.

Talk to the trees and the sky. It must be

in the blood. Such a terrible waste."

"How remarkably interesting," said John Major. Chess is quite like cricket, you know, in some of its particulars."

After these pleasantries we knuckled down to a tutorial on the Scotch gambit. "Remember," said Nigel, "with

white's

perfectly simple

gambit, the Scotch is

remarkably clever on

paper but liable to generate bother on a

day-to-day basis."

"Nonsense," said the Queen. "It is a

perfectly simple gambit. Even a groom

can play it. After 7, Be2, white continues with Nc3, Be3 and d4. It is important to castle early. John, it is true that white's queen pawn is isolated on d4, but as Nigel has just told us, there is more than adequate compensation for this in the general deployment of pieces."

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